

# Monmouth, Inc. (Brief Case), Spanish Version

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### Prior Acquisition/merger options

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- Design Rule
- World largest manufacturer of Rules and tapes
- great distribution system
- Keane Corporation
- quality product line
- mismanagement/inefficient plants
- Kroll Kleadic
- World leading supplier of soldering tools in industrial, electronic, and consumer markets
- Provided Monmouth a new high quality product line

### Monmouth

- Leading producer of engines and compressors
- Main consumers and clients were oil and gas industries; volatile market
- Sought stable firm to include into portfolio
- New aggressive acquisition strategy

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### Robertson

- Under performing- projected 2% growth
- Potential for growth
- Fairly stable industry with a broad product line- "small ticket items"
- Independent from consumer usage
- leading company in their respective market
- Distribution of 2,100 wholesalers extending to 15,000 retail outlets
- Largest domestic manufacturer of cutting edge hand tools

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### Robertson Capital Structure

Debt to \$22 Million  
 Equity to \$100 million  
 Debt to Equity ratio = 22%  
 Total Capital = \$122 million  
 Debt to Total Capital = 18.03%  
 Equity to Total Capital = 81.97%

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### Comparable Values

Any Levered Equity Ratio from the sample = 75%  
 Avg Debt to Equity of sample = 22.25%

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### WACC Calculation

Monmouth Capital Structure = \$22M Debt / \$100M Equity = 22%  
 Debt to Equity Ratio = 22%  
 Debt to Total Capital = 18.03%  
 Equity to Total Capital = 81.97%

WACC = 12.5% (22% Debt to Equity Ratio \* 18.03% Debt to Total Capital \* 12.5% Cost of Debt) + 81.97% Equity to Total Capital \* 10.5% Cost of Equity = 12.5%

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### Equity Valuation

EBITDA of 11.1 (assumed) - CapEx of 3.0 (assumed) = 8.1 for the year 2010 to 2015. Then 1% growth rate = 8.1 \* 1.01 = 8.181 for the year 2016 to 2020. Then 1% growth rate = 8.181 \* 1.01 = 8.262 for the year 2021 to 2025. Then 1% growth rate = 8.262 \* 1.01 = 8.344 for the year 2026 to 2030. Then 1% growth rate = 8.344 \* 1.01 = 8.426 for the year 2031 to 2035. Then 1% growth rate = 8.426 \* 1.01 = 8.508 for the year 2036 to 2040. Then 1% growth rate = 8.508 \* 1.01 = 8.590 for the year 2041 to 2045. Then 1% growth rate = 8.590 \* 1.01 = 8.672 for the year 2046 to 2050. Then 1% growth rate = 8.672 \* 1.01 = 8.754 for the year 2051 to 2055. Then 1% growth rate = 8.754 \* 1.01 = 8.836 for the year 2056 to 2060. Then 1% growth rate = 8.836 \* 1.01 = 8.918 for the year 2061 to 2065. Then 1% growth rate = 8.918 \* 1.01 = 9.000 for the year 2066 to 2070. Then 1% growth rate = 9.000 \* 1.01 = 9.082 for the year 2071 to 2075. Then 1% growth rate = 9.082 \* 1.01 = 9.164 for the year 2076 to 2080. Then 1% growth rate = 9.164 \* 1.01 = 9.246 for the year 2081 to 2085. Then 1% growth rate = 9.246 \* 1.01 = 9.328 for the year 2086 to 2090. Then 1% growth rate = 9.328 \* 1.01 = 9.410 for the year 2091 to 2095. Then 1% growth rate = 9.410 \* 1.01 = 9.492 for the year 2096 to 2100. Then 1% growth rate = 9.492 \* 1.01 = 9.574 for the year 2101 to 2105. Then 1% growth rate = 9.574 \* 1.01 = 9.656 for the year 2106 to 2110. Then 1% growth rate = 9.656 \* 1.01 = 9.738 for the year 2111 to 2115. Then 1% growth rate = 9.738 \* 1.01 = 9.820 for the year 2116 to 2120. Then 1% growth rate = 9.820 \* 1.01 = 9.902 for the year 2121 to 2125. Then 1% growth rate = 9.902 \* 1.01 = 9.984 for the year 2126 to 2130. Then 1% growth rate = 9.984 \* 1.01 = 10.066 for the year 2131 to 2135. Then 1% growth rate = 10.066 \* 1.01 = 10.148 for the year 2136 to 2140. Then 1% growth rate = 10.148 \* 1.01 = 10.230 for the year 2141 to 2145. Then 1% growth rate = 10.230 \* 1.01 = 10.312 for the year 2146 to 2150. Then 1% growth rate = 10.312 \* 1.01 = 10.394 for the year 2151 to 2155. Then 1% growth rate = 10.394 \* 1.01 = 10.476 for the year 2156 to 2160. Then 1% growth rate = 10.476 \* 1.01 = 10.558 for the year 2161 to 2165. Then 1% growth rate = 10.558 \* 1.01 = 10.640 for the year 2166 to 2170. Then 1% growth rate = 10.640 \* 1.01 = 10.722 for the year 2171 to 2175. Then 1% growth rate = 10.722 \* 1.01 = 10.804 for the year 2176 to 2180. Then 1% growth rate = 10.804 \* 1.01 = 10.886 for the year 2181 to 2185. Then 1% growth rate = 10.886 \* 1.01 = 10.968 for the year 2186 to 2190. Then 1% growth rate = 10.968 \* 1.01 = 11.050 for the year 2191 to 2195. Then 1% growth rate = 11.050 \* 1.01 = 11.132 for the year 2196 to 2200. Then 1% growth rate = 11.132 \* 1.01 = 11.214 for the year 2201 to 2205. Then 1% growth rate = 11.214 \* 1.01 = 11.296 for the year 2206 to 2210. Then 1% growth rate = 11.296 \* 1.01 = 11.378 for the year 2211 to 2215. Then 1% growth rate = 11.378 \* 1.01 = 11.460 for the year 2216 to 2220. Then 1% growth rate = 11.460 \* 1.01 = 11.542 for the year 2221 to 2225. Then 1% growth rate = 11.542 \* 1.01 = 11.624 for the year 2226 to 2230. Then 1% growth rate = 11.624 \* 1.01 = 11.706 for the year 2231 to 2235. Then 1% growth rate = 11.706 \* 1.01 = 11.788 for the year 2236 to 2240. Then 1% growth rate = 11.788 \* 1.01 = 11.870 for the year 2241 to 2245. Then 1% growth rate = 11.870 \* 1.01 = 11.952 for the year 2246 to 2250. Then 1% growth rate = 11.952 \* 1.01 = 12.034 for the year 2251 to 2255. Then 1% growth rate = 12.034 \* 1.01 = 12.116 for the year 2256 to 2260. Then 1% growth rate = 12.116 \* 1.01 = 12.198 for the year 2261 to 2265. Then 1% growth rate = 12.198 \* 1.01 = 12.280 for the year 2266 to 2270. Then 1% growth rate = 12.280 \* 1.01 = 12.362 for the year 2271 to 2275. Then 1% growth rate = 12.362 \* 1.01 = 12.444 for the year 2276 to 2280. Then 1% growth rate = 12.444 \* 1.01 = 12.526 for the year 2281 to 2285. Then 1% growth rate = 12.526 \* 1.01 = 12.608 for the year 2286 to 2290. Then 1% growth rate = 12.608 \* 1.01 = 12.690 for the year 2291 to 2295. Then 1% growth rate = 12.690 \* 1.01 = 12.772 for the year 2296 to 2300. Then 1% growth rate = 12.772 \* 1.01 = 12.854 for the year 2301 to 2305. Then 1% growth rate = 12.854 \* 1.01 = 12.936 for the year 2306 to 2310. Then 1% growth rate = 12.936 \* 1.01 = 13.018 for the year 2311 to 2315. Then 1% growth rate = 13.018 \* 1.01 = 13.100 for the year 2316 to 2320. Then 1% growth rate = 13.100 \* 1.01 = 13.182 for the year 2321 to 2325. Then 1% growth rate = 13.182 \* 1.01 = 13.264 for the year 2326 to 2330. Then 1% growth rate = 13.264 \* 1.01 = 13.346 for the year 2331 to 2335. Then 1% growth rate = 13.346 \* 1.01 = 13.428 for the year 2336 to 2340. Then 1% growth rate = 13.428 \* 1.01 = 13.510 for the year 2341 to 2345. Then 1% growth rate = 13.510 \* 1.01 = 13.592 for the year 2346 to 2350. Then 1% growth rate = 13.592 \* 1.01 = 13.674 for the year 2351 to 2355. Then 1% growth rate = 13.674 \* 1.01 = 13.756 for the year 2356 to 2360. Then 1% growth rate = 13.756 \* 1.01 = 13.838 for the year 2361 to 2365. Then 1% growth rate = 13.838 \* 1.01 = 13.920 for the year 2366 to 2370. Then 1% growth rate = 13.920 \* 1.01 = 14.002 for the year 2371 to 2375. Then 1% growth rate = 14.002 \* 1.01 = 14.084 for the year 2376 to 2380. Then 1% growth rate = 14.084 \* 1.01 = 14.166 for the year 2381 to 2385. Then 1% growth rate = 14.166 \* 1.01 = 14.248 for the year 2386 to 2390. Then 1% growth rate = 14.248 \* 1.01 = 14.330 for the year 2391 to 2395. Then 1% growth rate = 14.330 \* 1.01 = 14.412 for the year 2396 to 2400. Then 1% growth rate = 14.412 \* 1.01 = 14.494 for the year 2401 to 2405. Then 1% growth rate = 14.494 \* 1.01 = 14.576 for the year 2406 to 2410. Then 1% growth rate = 14.576 \* 1.01 = 14.658 for the year 2411 to 2415. Then 1% growth rate = 14.658 \* 1.01 = 14.740 for the year 2416 to 2420. Then 1% growth rate = 14.740 \* 1.01 = 14.822 for the year 2421 to 2425. Then 1% growth rate = 14.822 \* 1.01 = 14.904 for the year 2426 to 2430. Then 1% growth rate = 14.904 \* 1.01 = 14.986 for the year 2431 to 2435. Then 1% growth rate = 14.986 \* 1.01 = 15.068 for the year 2436 to 2440. Then 1% growth rate = 15.068 \* 1.01 = 15.150 for the year 2441 to 2445. Then 1% growth rate = 15.150 \* 1.01 = 15.232 for the year 2446 to 2450. Then 1% growth rate = 15.232 \* 1.01 = 15.314 for the year 2451 to 2455. Then 1% growth rate = 15.314 \* 1.01 = 15.396 for the year 2456 to 2460. Then 1% growth rate = 15.396 \* 1.01 = 15.478 for the year 2461 to 2465. Then 1% growth rate = 15.478 \* 1.01 = 15.560 for the year 2466 to 2470. Then 1% growth rate = 15.560 \* 1.01 = 15.642 for the year 2471 to 2475. Then 1% growth rate = 15.642 \* 1.01 = 15.724 for the year 2476 to 2480. Then 1% growth rate = 15.724 \* 1.01 = 15.806 for the year 2481 to 2485. Then 1% growth rate = 15.806 \* 1.01 = 15.888 for the year 2486 to 2490. Then 1% growth rate = 15.888 \* 1.01 = 15.970 for the year 2491 to 2495. Then 1% growth rate = 15.970 \* 1.01 = 16.052 for the year 2496 to 2500. Then 1% growth rate = 16.052 \* 1.01 = 16.134 for the year 2501 to 2505. Then 1% growth rate = 16.134 \* 1.01 = 16.216 for the year 2506 to 2510. Then 1% growth rate = 16.216 \* 1.01 = 16.298 for the year 2511 to 2515. Then 1% growth rate = 16.298 \* 1.01 = 16.380 for the year 2516 to 2520. Then 1% growth rate = 16.380 \* 1.01 = 16.462 for the year 2521 to 2525. Then 1% growth rate = 16.462 \* 1.01 = 16.544 for the year 2526 to 2530. Then 1% growth rate = 16.544 \* 1.01 = 16.626 for the year 2531 to 2535. Then 1% growth rate = 16.626 \* 1.01 = 16.708 for the year 2536 to 2540. Then 1% growth rate = 16.708 \* 1.01 = 16.790 for the year 2541 to 2545. Then 1% growth rate = 16.790 \* 1.01 = 16.872 for the year 2546 to 2550. Then 1% growth rate = 16.872 \* 1.01 = 16.954 for the year 2551 to 2555. Then 1% growth rate = 16.954 \* 1.01 = 17.036 for the year 2556 to 2560. Then 1% growth rate = 17.036 \* 1.01 = 17.118 for the year 2561 to 2565. Then 1% growth rate = 17.118 \* 1.01 = 17.200 for the year 2566 to 2570. Then 1% growth rate = 17.200 \* 1.01 = 17.282 for the year 2571 to 2575. Then 1% growth rate = 17.282 \* 1.01 = 17.364 for the year 2576 to 2580. Then 1% growth rate = 17.364 \* 1.01 = 17.446 for the year 2581 to 2585. Then 1% growth rate = 17.446 \* 1.01 = 17.528 for the year 2586 to 2590. Then 1% growth rate = 17.528 \* 1.01 = 17.610 for the year 2591 to 2595. Then 1% growth rate = 17.610 \* 1.01 = 17.692 for the year 2596 to 2600. Then 1% growth rate = 17.692 \* 1.01 = 17.774 for the year 2601 to 2605. Then 1% growth rate = 17.774 \* 1.01 = 17.856 for the year 2606 to 2610. Then 1% growth rate = 17.856 \* 1.01 = 17.938 for the year 2611 to 2615. Then 1% growth rate = 17.938 \* 1.01 = 18.020 for the year 2616 to 2620. Then 1% growth rate = 18.020 \* 1.01 = 18.102 for the year 2621 to 2625. Then 1% growth rate = 18.102 \* 1.01 = 18.184 for the year 2626 to 2630. Then 1% growth rate = 18.184 \* 1.01 = 18.266 for the year 2631 to 2635. Then 1% growth rate = 18.266 \* 1.01 = 18.348 for the year 2636 to 2640. Then 1% growth rate = 18.348 \* 1.01 = 18.430 for the year 2641 to 2645. Then 1% growth rate = 18.430 \* 1.01 = 18.512 for the year 2646 to 2650. Then 1% growth rate = 18.512 \* 1.01 = 18.594 for the year 2651 to 2655. Then 1% growth rate = 18.594 \* 1.01 = 18.676 for the year 2656 to 2660. Then 1% growth rate = 18.676 \* 1.01 = 18.758 for the year 2661 to 2665. Then 1% growth rate = 18.758 \* 1.01 = 18.840 for the year 2666 to 2670. Then 1% growth rate = 18.840 \* 1.01 = 18.922 for the year 2671 to 2675. Then 1% growth rate = 18.922 \* 1.01 = 19.004 for the year 2676 to 2680. Then 1% growth rate = 19.004 \* 1.01 = 19.086 for the year 2681 to 2685. Then 1% growth rate = 19.086 \* 1.01 = 19.168 for the year 2686 to 2690. Then 1% growth rate = 19.168 \* 1.01 = 19.250 for the year 2691 to 2695. Then 1% growth rate = 19.250 \* 1.01 = 19.332 for the year 2696 to 2700. Then 1% growth rate = 19.332 \* 1.01 = 19.414 for the year 2701 to 2705. Then 1% growth rate = 19.414 \* 1.01 = 19.496 for the year 2706 to 2710. Then 1% growth rate = 19.496 \* 1.01 = 19.578 for the year 2711 to 2715. Then 1% growth rate = 19.578 \* 1.01 = 19.660 for the year 2716 to 2720. Then 1% growth rate = 19.660 \* 1.01 = 19.742 for the year 2721 to 2725. Then 1% growth rate = 19.742 \* 1.01 = 19.824 for the year 2726 to 2730. Then 1% growth rate = 19.824 \* 1.01 = 19.906 for the year 2731 to 2735. Then 1% growth rate = 19.906 \* 1.01 = 19.988 for the year 2736 to 2740. Then 1% growth rate = 19.988 \* 1.01 = 20.070 for the year 2741 to 2745. Then 1% growth rate = 20.070 \* 1.01 = 20.152 for the year 2746 to 2750. Then 1% growth rate = 20.152 \* 1.01 = 20.234 for the year 2751 to 2755. Then 1% growth rate = 20.234 \* 1.01 = 20.316 for the year 2756 to 2760. Then 1% growth rate = 20.316 \* 1.01 = 20.398 for the year 2761 to 2765. Then 1% growth rate = 20.398 \* 1.01 = 20.480 for the year 2766 to 2770. Then 1% growth rate = 20.480 \* 1.01 = 20.562 for the year 2771 to 2775. Then 1% growth rate = 20.562 \* 1.01 = 20.644 for the year 2776 to 2780. Then 1% growth rate = 20.644 \* 1.01 = 20.726 for the year 2781 to 2785. Then 1% growth rate = 20.726 \* 1.01 = 20.808 for the year 2786 to 2790. Then 1% growth rate = 20.808 \* 1.01 = 20.890 for the year 2791 to 2795. Then 1% growth rate = 20.890 \* 1.01 = 20.972 for the year 2796 to 2800. Then 1% growth rate = 20.972 \* 1.01 = 21.054 for the year 2801 to 2805. Then 1% growth rate = 21.054 \* 1.01 = 21.136 for the year 2806 to 2810. Then 1% growth rate = 21.136 \* 1.01 = 21.218 for the year 2811 to 2815. Then 1% growth rate = 21.218 \* 1.01 = 21.300 for the year 2816 to 2820. Then 1% growth rate = 21.300 \* 1.01 = 21.382 for the year 2821 to 2825. Then 1% growth rate = 21.382 \* 1.01 = 21.464 for the year 2826 to 2830. Then 1% growth rate = 21.464 \* 1.01 = 21.546 for the year 2831 to 2835. Then 1% growth rate = 21.546 \* 1.01 = 21.628 for the year 2836 to 2840. Then 1% growth rate = 21.628 \* 1.01 = 21.710 for the year 2841 to 2845. Then 1% growth rate = 21.710 \* 1.01 = 21.792 for the year 2846 to 2850. Then 1% growth rate = 21.792 \* 1.01 = 21.874 for the year 2851 to 2855. Then 1% growth rate = 21.874 \* 1.01 = 21.956 for the year 2856 to 2860. Then 1% growth rate = 21.956 \* 1.01 = 22.038 for the year 2861 to 2865. Then 1% growth rate = 22.038 \* 1.01 = 22.120 for the year 2866 to 2870. Then 1% growth rate = 22.120 \* 1.01 = 22.202 for the year 2871 to 2875. Then 1% growth rate = 22.202 \* 1.01 = 22.284 for the year 2876 to 2880. Then 1% growth rate = 22.284 \* 1.01 = 22.366 for the year 2881 to 2885. Then 1% growth rate = 22.366 \* 1.01 = 22.448 for the year 2886 to 2890. Then 1% growth rate = 22.448 \* 1.01 = 22.530 for the year 2891 to 2895. Then 1% growth rate = 22.530 \* 1.01 = 22.612 for the year 2896 to 2900. Then 1% growth rate = 22.612 \* 1.01 = 22.694 for the year 2901 to 2905. Then 1% growth rate = 22.694 \* 1.01 = 22.776 for the year 2906 to 2910. Then 1% growth rate = 22.776 \* 1.01 = 22.858 for the year 2911 to 2915. Then 1% growth rate = 22.858 \* 1.01 = 22.940 for the year 2916 to 2920. Then 1% growth rate = 22.940 \* 1.01 = 23.022 for the year 2921 to 2925. Then 1% growth rate = 23.022 \* 1.01 = 23.104 for the year 2926 to 2930. Then 1% growth rate = 23.104 \* 1.01 = 23.186 for the year 2931 to 2935. Then 1% growth rate = 23.186 \* 1.01 = 23.268 for the year 2936 to 2940. Then 1% growth rate = 23.268 \* 1.01 = 23.350 for the year 2941 to 2945. Then 1% growth rate = 23.350 \* 1.01 = 23.432 for the year 2946 to 2950. Then 1% growth rate = 23.432 \* 1.01 = 23.514 for the year 2951 to 2955. Then 1% growth rate = 23.514 \* 1.01 = 23.596 for the year 2956 to 2960. Then 1% growth rate = 23.596 \* 1.01 = 23.678 for the year 2961 to 2965. Then 1% growth rate = 23.678 \* 1.01 = 23.760 for the year 2966 to 2970. Then 1% growth rate = 23.760 \* 1.01 = 23.842 for the year 2971 to 2975. Then 1% growth rate = 23.842 \* 1.01 = 23.924 for the year 2976 to 2980. Then 1% growth rate = 23.924 \* 1.01 = 24.006 for the year 2981 to 2985. Then 1% growth rate = 24.006 \* 1.01 = 24.088 for the year 2986 to 2990. Then 1% growth rate = 24.088 \* 1.01 = 24.170 for the year 2991 to 2995. Then 1% growth rate = 24.170 \* 1.01 = 24.252 for the year 2996 to 3000. Then 1% growth rate = 24.252 \* 1.01 = 24.334 for the year 3001 to 3005. Then 1% growth rate = 24.334 \* 1.01 = 24.416 for the year 3006 to 3010. Then 1% growth rate = 24.416 \* 1.01 = 24.498 for the year 3011 to 3015. Then 1% growth rate = 24.498 \* 1.01 = 24.580 for the year 3016 to 3020. Then 1% growth rate = 24.580 \* 1.01 = 24.662 for the year 3021 to 3025. Then 1% growth rate = 24.662 \* 1.01 = 24.744 for the year 3026 to 3030. Then 1% growth rate = 24.744 \* 1.01 = 24.826 for the year 3031 to 3035. Then 1% growth rate = 24.826 \* 1.01 = 24.908 for the year 3036 to 3040. Then 1% growth rate = 24.908 \* 1.01 = 24.990 for the year 3041 to 3045. Then 1% growth rate = 24.990 \* 1.01 = 25.072 for the year 3046 to 3050. Then 1% growth rate = 25.072 \* 1.01 = 25.154 for the year 3051 to 3055. Then 1% growth rate = 25.154 \* 1.01 = 25.236 for the year 3056 to 3060. Then 1% growth rate = 25.236 \* 1.01 = 25.318 for the year 3061 to 3065. Then 1% growth rate = 25.318 \* 1.01 = 25.400 for the year 3066 to 3070. Then 1% growth rate = 25.400 \* 1.01 = 25.482 for the year 3071 to 3075. Then 1% growth rate = 25.482 \* 1.01 = 25.564 for the year 3076 to 3080. Then 1% growth rate = 25.564 \* 1.01 = 25.646 for the year 3081 to 3085. Then 1% growth rate = 25.646 \* 1.01 = 25.728 for the year 3086 to 3090. Then 1% growth rate = 25.728 \* 1.01 = 25.810 for the year 3091 to 3095. Then 1% growth rate = 25.810 \* 1.01 = 25.892 for the year 3096 to 3100. Then 1% growth rate = 25.892 \* 1.01 = 25.974 for the year 3101 to 3105. Then 1% growth rate = 25.974 \* 1.01 = 26.056 for the year 3106 to 3110. Then 1% growth rate = 26.056 \* 1.01 = 26.138 for the year 3111 to 3115. Then 1% growth rate = 26.138 \* 1.01 = 26.220 for the year 3116 to 3120. Then 1% growth rate = 26.220 \* 1.01 = 26.302 for the year 3121 to 3125. Then 1% growth rate = 26.302 \* 1.01 = 26.384 for the year 3126 to 3130. Then 1% growth rate = 26.384 \* 1.01 = 26.466 for the year 3131 to 3135. Then 1% growth rate = 26.466 \* 1.01 = 26.548 for the year 3136 to 3140. Then 1% growth rate = 26.548 \* 1.01 = 26.630 for the year 3141 to 3145. Then 1% growth rate = 26.630 \* 1.01 = 26.712 for the year 3146 to 3150. Then 1% growth rate = 26.712 \* 1.01 = 26.794 for the year 3151 to 3155. Then 1% growth rate = 26.794 \* 1.01 = 26.876 for the year 3156 to 3160. Then 1% growth rate = 26.876 \* 1.01 = 26.958 for the year 3161 to 3165. Then 1% growth rate = 26.958 \* 1.01 = 27.040 for the year 3166 to 3170. Then 1% growth rate = 27.040 \* 1.01 = 27.122 for the year 3171 to 3175. Then 1% growth rate = 27.122 \* 1.01 = 27.204 for the year 3176 to 3180. Then 1% growth rate = 27.204 \* 1.01 = 27.286 for the year 3181 to 3185. Then 1% growth rate = 27.286 \* 1.01 = 27.368 for the year 3186 to 3190. Then 1% growth rate = 27.368 \* 1.01 = 27.450 for the year 3191 to 3195. Then 1% growth rate = 27.450 \* 1.01 = 27.532 for the year 3196 to 3200. Then 1% growth rate = 27.532 \* 1.01 = 27.614 for the year 3201 to 3205. Then 1% growth rate = 27.614 \* 1.01 = 27.696 for the year 3206 to 3210. Then 1% growth rate = 27.696 \* 1.01 = 27.778 for the year 3211 to 3215. Then 1% growth rate = 27.778 \* 1.01 = 27.860 for the year 3216 to 3220. Then 1% growth rate = 27.860 \* 1.01 = 27.942 for the year 3221 to 3225. Then 1% growth rate = 27.942 \* 1.01 = 28.024 for the year 3226 to 3230. Then 1% growth rate = 28.024 \* 1.01 = 28.106 for the year 3231 to 3235. Then 1% growth rate = 28.106 \* 1.01 = 28.188 for the year 3236 to 3240. Then 1% growth rate = 28.188 \* 1.01 = 28.270 for the year 3241 to 3245. Then 1% growth rate = 28.270 \* 1.01 = 28.352 for the year 3246 to 3250. Then 1% growth rate = 28.352 \* 1.01 = 28.434 for the year 3251 to 3255. Then 1% growth rate = 28.434 \* 1.01 = 28.516 for the year 3256 to 3260. Then 1% growth rate = 28.516 \* 1.01 = 28.598 for the year 3261 to 3265. Then 1% growth rate = 28.598 \* 1.01 = 28.680 for the year 3266 to 3270. Then 1% growth rate = 28.680 \* 1.01 = 28.762 for the year 3271 to 3275. Then 1% growth rate = 28.762 \* 1.01 =

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*Prior Acquisition/  
merger options*

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  - World largest manufacturer of Rules and tapes
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*Monmouth*

- Leading producer of engines and compressors
- Main consumers and clients were oil and gas industries; volatile market
- Sought stable firm to include into portfolio
- New aggressive acquisition strategy

## Robertson

- Under performing- projected 2% growth
- Potential for growth
- Fairly stable industry with a broad product line- "small ticket items"
- Independent from consumer usage
- leading company in their respective market
- Distribution of 2,100 wholesalers extending to 15,000 retail outlets
- Largest domestic manufacturer of cutting edge hand tools

### Rebellion Capital Structure

• Sale of Firm = \$12M Debt + \$25,685,000 E  
= \$37,685,000

### Comparable Values

Avg Levered equity beta from the sample: .666  
Avg Unlevered equity beta: .333

## Equity Valuation

(800)(1-T) = Depreciation - CAPX to get FCF for the years 2000 to 2002. Then  $FCF = 12\% \times 17\%$  (interest on LTD) +  $12\% \times 0.04 \times 100\%$  (before 2000) to get FCF for 2003 to 2007.  
Finally, discount it back at the cost of equity (3.72%).  
( See Table 4.1 for our FCF )  
( discounted with the cost of equity, 6% is the industry average growth rate mentioned in the case.

a = 0.4		a = 0.5		a = 0.6	
$\alpha$	$\beta$	$\alpha$	$\beta$	$\alpha$	$\beta$
0.5	0.5	0.5	0.5	0.5	0.5
0.5	0.4	0.5	0.4	0.5	0.4
0.5	0.6	0.5	0.6	0.5	0.6

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## WACC Calculator

1. Initial investment:  $\text{€}100,000 \times 1.05 = \text{€}105,000$   
 2. Cash flow:  $\text{€}105,000 \times 0.75 = \text{€}78,750$   
 3. Cash flow:  $\text{€}78,750 \times 1.05 = \text{€}82,687.50$   
 4. Cash flow:  $\text{€}82,687.50 \times 0.75 = \text{€}62,015.63$   
 5. Cash flow:  $\text{€}62,015.63 \times 1.05 = \text{€}65,116.41$   
 6. Cash flow:  $\text{€}65,116.41 \times 0.75 = \text{€}48,837.31$   
 7. Cash flow:  $\text{€}48,837.31 \times 1.05 = \text{€}51,279.17$   
 8. Cash flow:  $\text{€}51,279.17 \times 0.75 = \text{€}38,459.38$   
 9. Cash flow:  $\text{€}38,459.38 \times 1.05 = \text{€}40,382.35$   
 10. Cash flow:  $\text{€}40,382.35 \times 0.75 = \text{€}30,286.76$   
 11. Cash flow:  $\text{€}30,286.76 \times 1.05 = \text{€}31,801.10$   
 12. Cash flow:  $\text{€}31,801.10 \times 0.75 = \text{€}23,850.83$   
 13. Cash flow:  $\text{€}23,850.83 \times 1.05 = \text{€}25,043.37$   
 14. Cash flow:  $\text{€}25,043.37 \times 0.75 = \text{€}18,782.53$   
 15. Cash flow:  $\text{€}18,782.53 \times 1.05 = \text{€}19,721.66$   
 16. Cash flow:  $\text{€}19,721.66 \times 0.75 = \text{€}14,791.24$   
 17. Cash flow:  $\text{€}14,791.24 \times 1.05 = \text{€}15,530.80$   
 18. Cash flow:  $\text{€}15,530.80 \times 0.75 = \text{€}11,648.10$   
 19. Cash flow:  $\text{€}11,648.10 \times 1.05 = \text{€}12,230.51$   
 20. Cash flow:  $\text{€}12,230.51 \times 0.75 = \text{€}9,172.88$   
 21. Cash flow:  $\text{€}9,172.88 \times 1.05 = \text{€}9,631.52$   
 22. Cash flow:  $\text{€}9,631.52 \times 0.75 = \text{€}7,223.64$   
 23. Cash flow:  $\text{€}7,223.64 \times 1.05 = \text{€}7,584.82$   
 24. Cash flow:  $\text{€}7,584.82 \times 0.75 = \text{€}5,688.62$   
 25. Cash flow:  $\text{€}5,688.62 \times 1.05 = \text{€}5,973.05$   
 26. Cash flow:  $\text{€}5,973.05 \times 0.75 = \text{€}4,479.79$   
 27. Cash flow:  $\text{€}4,479.79 \times 1.05 = \text{€}4,703.78$   
 28. Cash flow:  $\text{€}4,703.78 \times 0.75 = \text{€}3,527.84$   
 29. Cash flow:  $\text{€}3,527.84 \times 1.05 = \text{€}3,704.23$   
 30. Cash flow:  $\text{€}3,704.23 \times 0.75 = \text{€}2,778.17$   
 31. Cash flow:  $\text{€}2,778.17 \times 1.05 = \text{€}2,917.08$   
 32. Cash flow:  $\text{€}2,917.08 \times 0.75 = \text{€}2,187.81$   
 33. Cash flow:  $\text{€}2,187.81 \times 1.05 = \text{€}2,297.20$   
 34. Cash flow:  $\text{€}2,297.20 \times 0.75 = \text{€}1,722.90$   
 35. Cash flow:  $\text{€}1,722.90 \times 1.05 = \text{€}1,809.05$   
 36. Cash flow:  $\text{€}1,809.05 \times 0.75 = \text{€}1,356.79$   
 37. Cash flow:  $\text{€}1,356.79 \times 1.05 = \text{€}1,424.63$   
 38. Cash flow:  $\text{€}1,424.63 \times 0.75 = \text{€}1,068.47$   
 39. Cash flow:  $\text{€}1,068.47 \times 1.05 = \text{€}1,121.89$   
 40. Cash flow:  $\text{€}1,121.89 \times 0.75 = \text{€}841.42$   
 41. Cash flow:  $\text{€}841.42 \times 1.05 = \text{€}883.49$   
 42. Cash flow:  $\text{€}883.49 \times 0.75 = \text{€}662.62$   
 43. Cash flow:  $\text{€}662.62 \times 1.05 = \text{€}695.65$   
 44. Cash flow:  $\text{€}695.65 \times 0.75 = \text{€}521.74$   
 45. Cash flow:  $\text{€}521.74 \times 1.05 = \text{€}547.83$   
 46. Cash flow:  $\text{€}547.83 \times 0.75 = \text{€}410.87$   
 47. Cash flow:  $\text{€}410.87 \times 1.05 = \text{€}431.41$   
 48. Cash flow:  $\text{€}431.41 \times 0.75 = \text{€}323.56$   
 49. Cash flow:  $\text{€}323.56 \times 1.05 = \text{€}339.74$   
 50. Cash flow:  $\text{€}339.74 \times 0.75 = \text{€}254.80$   
 51. Cash flow:  $\text{€}254.80 \times 1.05 = \text{€}267.54$   
 52. Cash flow:  $\text{€}267.54 \times 0.75 = \text{€}200.66$   
 53. Cash flow:  $\text{€}200.66 \times 1.05 = \text{€}210.69$   
 54. Cash flow:  $\text{€}210.69 \times 0.75 = \text{€}158.02$   
 55. Cash flow:  $\text{€}158.02 \times 1.05 = \text{€}165.92$   
 56. Cash flow:  $\text{€}165.92 \times 0.75 = \text{€}124.44$   
 57. Cash flow:  $\text{€}124.44 \times 1.05 = \text{€}130.66$   
 58. Cash flow:  $\text{€}130.66 \times 0.75 = \text{€}98.00$   
 59. Cash flow:  $\text{€}98.00 \times 1.05 = \text{€}102.90$   
 60. Cash flow:  $\text{€}102.90 \times 0.75 = \text{€}77.18$   
 61. Cash flow:  $\text{€}77.18 \times 1.05 = \text{€}81.04$   
 62. Cash flow:  $\text{€}81.04 \times 0.75 = \text{€}60.78$   
 63. Cash flow:  $\text{€}60.78 \times 1.05 = \text{€}63.82$   
 64. Cash flow:  $\text{€}63.82 \times 0.75 = \text{€}47.87$   
 65. Cash flow:  $\text{€}47.87 \times 1.05 = \text{€}50.26$   
 66. Cash flow:  $\text{€}50.26 \times 0.75 = \text{€}37.70$   
 67. Cash flow:  $\text{€}37.70 \times 1.05 = \text{€}39.59$   
 68. Cash flow:  $\text{€}39.59 \times 0.75 = \text{€}29.69$   
 69. Cash flow:  $\text{€}29.69 \times 1.05 = \text{€}31.17$   
 70. Cash flow:  $\text{€}31.17 \times 0.75 = \text{€}23.38$   
 71. Cash flow:  $\text{€}23.38 \times 1.05 = \text{€}24.55$   
 72. Cash flow:  $\text{€}24.55 \times 0.75 = \text{€}18.41$   
 73. Cash flow:  $\text{€}18.41 \times 1.05 = \text{€}19.33$   
 74. Cash flow:  $\text{€}19.33 \times 0.75 = \text{€}14.50$   
 75. Cash flow:  $\text{€}14.50 \times 1.05 = \text{€}15.22$   
 76. Cash flow:  $\text{€}15.22 \times 0.75 = \text{€}11.41$   
 77. Cash flow:  $\text{€}11.41 \times 1.05 = \text{€}11.98$   
 78. Cash flow:  $\text{€}11.98 \times 0.75 = \text{€}8.99$   
 79. Cash flow:  $\text{€}8.99 \times 1.05 = \text{€}9.44$   
 80. Cash flow:  $\text{€}9.44 \times 0.75 = \text{€}7.08$   
 81. Cash flow:  $\text{€}7.08 \times 1.05 = \text{€}7.43$   
 82. Cash flow:  $\text{€}7.43 \times 0.75 = \text{€}5.57$   
 83. Cash flow:  $\text{€}5.57 \times 1.05 = \text{€}5.85$   
 84. Cash flow:  $\text{€}5.85 \times 0.75 = \text{€}4.39$   
 85. Cash flow:  $\text{€}4.39 \times 1.05 = \text{€}4.61$   
 86. Cash flow:  $\text{€}4.61 \times 0.75 = \text{€}3.46$   
 87. Cash flow:  $\text{€}3.46 \times 1.05 = \text{€}3$

WACC = 8.23% + 0.00%  
= 8.23% = 8.23% = 8.23%

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### Comparable Approach

From Exhibit 4, we used the P/E and EBIT multiple to value the equity of Robertson from a comparable approach:

Avg PIC multiple of the comparisons was 11.5 at the end of 2002. HTC's own PIC was calculated identically with the 11.5 ratio.  
PIC Values are:  
GAT at 2.04 - vs. 2.04 = GAT at 2.2 - vs. 2.04 =  
EAT of 1.138 x Avg PIC of 11.5  
= 17.824. Equal to the end of 2002.


Avg EISAT multiple of computations at the end of 2002 was 12.85 compared to RTC's 16.1 EISAT Value.  
 RTC's EISAT of 1.8M x Avg EISAT of 12.85 = 23.33M - 1254 DEMO - 11.13M Equity at the end of 2002



## ***Monmouth***

- Leading producer of engines and compressors
- Main consumers and clients were oil and gas industries; volatile market
- Sought stable firm to include into portfolio
- New aggressive acquisition strategy

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# ***Prior Acquisition/ merger options***

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- Dessex Rule-
  - World largest manufacture of Rules and tapes
  - good distributions system
- Keane Corporation-
  - quality product line
  - mismanagement/inefficient plants
- Kroll Electric
  - World leading supplier of soldering tools in Industrial, electronic, and consumer markets
  - Provided Monmouth a new high quality product line

# ***Robertson***

- Under performing- projected 2% growth
- Potential for growth
- Fairly stable industry with a broad product line- “small ticket items”
- Independent from consumer usage
- leading company in their respective market
- Distribution of 2,100 wholesalers extending to 15,000 retail outlets
- Largest domestic manufacturer of cutting edge hand tools

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## **Robertson**

Debt is \$12 M  
Equity is share  
584,000 share  
\*\*BV of share  
was \$44\*\*  
Value of Firm:  
Cap= \$37,690  
D/E = 46.7%

***TheC***

e

## Robertson Capital Structure

Debt is \$12 Million.

Equity is shares x current market price = \$44 x 584,000 shares = \$25,696,000 market cap

\*\*BV of share price was \$53 but market value was \$44\*\*

Value of Firm = \$12M Debt + \$25,686,000 Mkt Cap = \$37,696,000

D/E = 46.7%

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## Comparable Values

Avg Levered equity beta from the  
comps= .958

Avg Debt/equity of comps= 33.35%

\*\*I multiplied the debt/capital ratio of each comp's  
firm value to get the debt then minus that from the  
firm value to get the equity. Took avg of the 6  
comps\*\*

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EFCF	

## WACC Calculation

UnLevered equity beta= LB .958 / (1 + (1 - 40%)  
x comp D/E 33.35%= .798 ULB

Levered beta= ULB .798 x [1 + (1 - 40%) x firm  
D/E 46.7%] = 1.02

Cost of equity= RF 4.10% + 1.02 LB (5.5%  
MRP) = 9.72%

After tax Cost of Debt = BBB bond rate of  
6.07% x (1 - 40%)= 3.64%

**WACC = 9.72% x (E/V  
68.17%) + 3.64% x (D/  
V 31.83%)= 7.78% for  
Robertson**

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# Equity Valuation

(EBIT(1-T) + Depreciation - CAPEX to get FCF for the years 2003 to 2007. Then it's: FCF - 12\*6.07% (interest on LTD) + 12\*6.07%\*40% (the tax shield) to get FCFE for 2003 to 2007.

Finally, discount it back at the cost of equity (9.72%).

( See Table #1 for our FCFE)

I discounted with the cost of equity. 6% is the industry average growth rate mentioned in the case.

**Table #1**

\*In Millions\*

	2003	2004	2005	2006	2007	2007 to Infinity
						<b>Enterprise Value</b>
<b>FCF</b>	0.82	2.36	3.42	4.02	4.92	213.17
						<b>EV + Control Premium</b>
						298.44
<b>EFCF</b>	1.26	2.80	3.86	4.46	5.36	
						<b>Equity Value</b>
						108.49

## Calculation

$\beta = \text{LB} \cdot 0.958 / (1 + (1 - 40\%))$

$= 0.798$  ULB

$0.798 \times [1 + (1 - 40\%) \times \text{firm}]$

$4.10\% + 1.02 \text{ LB } (5.5\%)$

Cost = BBB bond rate of

3.64%

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