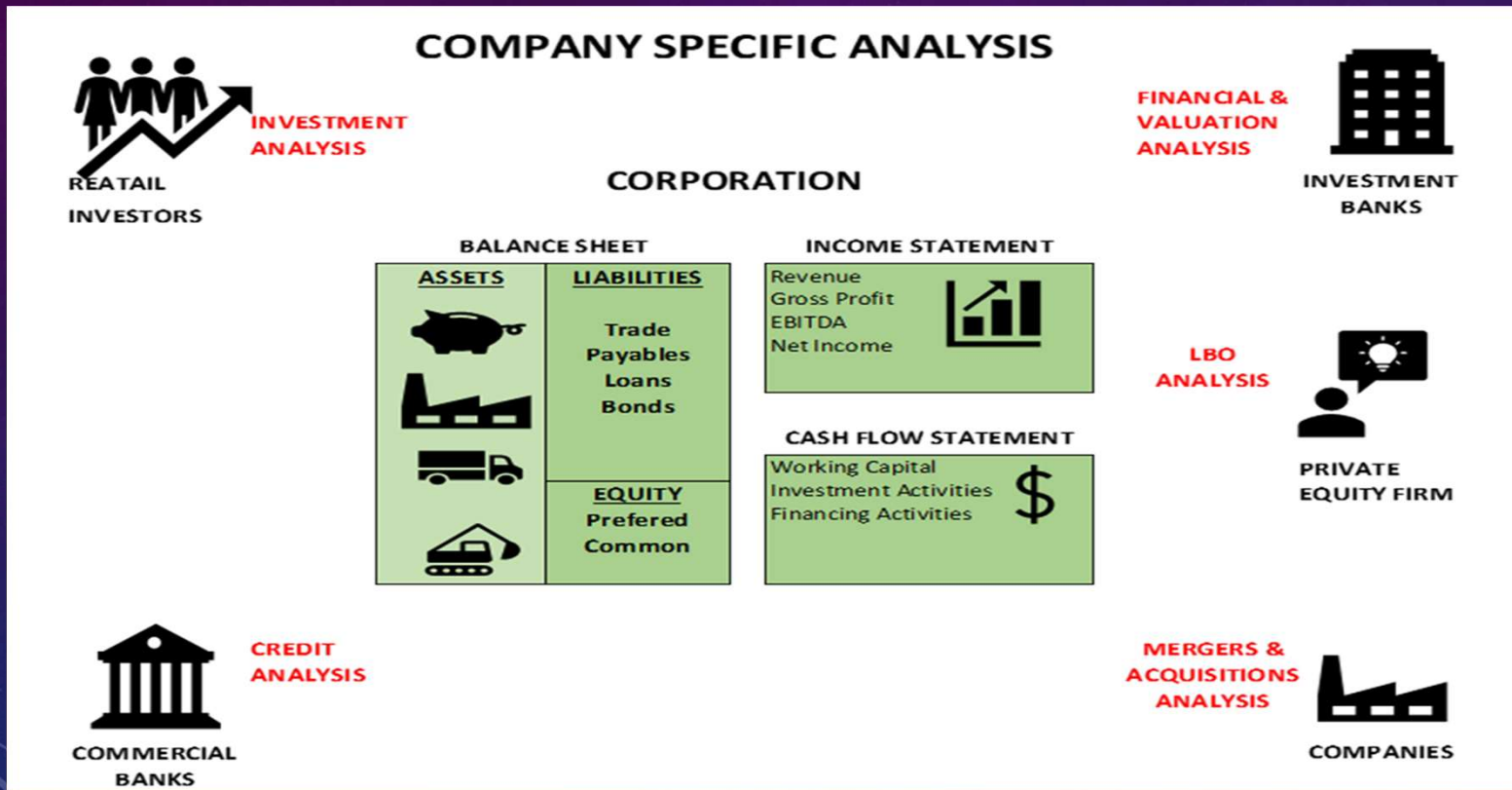


The background features a dark blue gradient with several circular gauges and arrows. One large gauge on the left has a scale from 140 to 260. Other gauges are smaller and scattered across the left side. Arrows of various sizes and orientations are also present, some pointing clockwise and others counter-clockwise. The overall aesthetic is technical and data-oriented.

CAREER IN FINANCE

PROFESSOR CHRIS DROUSSIOTIS

COMPANY SPECIFIC ANALYSIS – A 30,000 FEET VIEW



SPECTRUM OF CAREER OPPORTUNITIES IN FINANCE

CORPORATE FINANCE



Corporations

- Treasury (Budget & Planning)
- Controller / Accounting

CREDIT ANALYSIS



Commercial Banking

- Credit Analysis (Corporate / Project Finance / Asset Finance)
- Advisory (Syndications, Distribution, Sales & Trade)
- Portfolio Management
- Risk Management (Credit & Market)
- Operations – Compliance & KYC
- Loan Control/Treasury

INVESTMENTS



Merchant Banking (CLOs, BDCs)

- Credit Analysis (Bonds/Loans)
- Portfolio Management



Investment Banking

- Broker/Dealer - Sales & Trade
- Advice (M&A, Capital Markets, Economics)
- Research
- Portfolio Management
- Wealth Management

Other Finance Careers

- Rating Agencies for Bonds and Loans
- Consulting Services (Capital Markets, M&A)
- Specialized Finance Services

Private Equity

- Equity Analysis
- Portfolio Management (Equity)

CORPORATE FINANCE



Corporations

- Treasury (Budget & Planning)
- Controller / Accounting

Analysis:

- Understanding Financial Statements
- Running Financial Ratios to measure performance based on
 - Last year and years before (trend analysis)
 - Competitors, industry and market standards (Comparable Analysis)
 - Expectation (Vs budget)
 - Budgeting and Planning
- Budgeting & Planning
- Projects / Capital Raising

CORPORATE FINANCE

INCOME STATEMENT

- Measurement of Profit and Loss over a Period of Time
- Top Line to Bottom Line
- Revenue (Sales) Less Expenses = Profit or Loss

CASE STUDY

Income Statement (000's)		2009	2010
50	Revenues by Geography		
51	U.S.	800,000	920,000
52	Europe	120,000	140,000
53	Asia	40,000	50,000
54	Total Revenue	960,000	1,110,000
56	Cost of Revenues by Geography		
57	U.S.	220,000	270,000
58	Europe	100,000	115,000
59	Asia	25,000	35,000
60	Total Cost of Revenue	345,000	420,000
62	Gross Profit	615,000	690,000
64	Operating Expenses		
65	Administrative & General	145,000	165,000
66	Marketing Expenses	75,000	80,000
67	Other Operating Expenses	10,000	12,000
68	Total Operating Expenses	230,000	257,000
70	EBITDA	385,000	433,000
72	Depreciation & Amortization	60,000	65,000
74	EBIT	325,000	368,000
76	Interest Expense	130,000	120,000
78	EBT	195,000	248,000
80	Taxes	40% 78,000	99,200
82	Net Income	117,000	148,800

CORPORATE FINANCE

BALANCE SHEET STATEMENT

- It shows us on a snap shot the Wealth of the Company
- The statement is set-up in Order of Liquidity

CASE STUDY

Balance Sheet (000's)	2009	2010	\$ Change	% Change
6 Current Assets				
7 Cash	45,000	65,800	20,800	46.2%
8 Accounts Receivable	45,000	60,000	15,000	33.3%
9 Inventories	35,000	40,000	5,000	14.3%
10 Prepaid Expenses	10,000	9,000	(1,000)	-10.0%
11 Total Current Assets	135,000	174,800	39,800	29.5%
13 Property and Equipment				
14 Land	2,500,000	2,500,000	-	0.0%
15 Building	450,000	550,000	100,000	22.2%
16 Furniture & Equipment	50,000	75,000	25,000	50.0%
17 Total Gross P&E	3,000,000	3,125,000	125,000	4.2%
18 Less Accumulated Depreciation	(300,000)	(365,000)	(65,000)	21.7%
19 Net P&E	2,700,000	2,760,000	60,000	2.2%
21 Long-Term Investments	200,000	250,000	50,000	25.0%
23 Total Assets	3,035,000	3,184,800	149,800	4.9%
25 Liabilities and Owners Equity				
27 Current Liabilities				
28 Accounts Payable	35,000	40,000	5,000	14.3%
29 Accrued Income Taxes	12,000	10,000	(2,000)	-16.7%
30 Accrued Expenses	10,000	8,000	(2,000)	-20.0%
31 Current Portion of Long Term Debt	20,000	10,000	(10,000)	-50.0%
32 Total Current Liabilities	77,000	68,000	(9,000)	-11.7%
34 Long-Term Debt:	1,200,000	1,180,000	(20,000)	-1.7%
36 Deferred Income Taxes	12,000	17,000	5,000	41.7%
38 Total Liabilities	1,289,000	1,265,000	(24,000)	-1.9%
40 Owners' Equity				
41 Common Stock	1,000,000	1,000,000	-	0.0%
42 Paid-in-Capital	-	25,000	25,000	
43 Retained Earnings	746,000	894,800	148,800	19.9%
44 Total Owners' Equity	1,746,000	1,919,800	173,800	10.0%
46 Total Liabilities & Owner's Equity	3,035,000	3,184,800	149,800	4.9%

CORPORATE FINANCE

CASH FLOW STATEMENT

- It shows the Company's Cash Inflow and Outflow over a period of time
- Differences between Income Statement and Cash Flow Statement
 - Timing Differences (Working Capital Activities)
 - Capital Expenses Vs Operating Expenses (Investment Activities)
 - Financing Expenses not included in the Income Statement (Financing Activities)
- Represents the changes from last Year's Balance Sheet to this Year's Balance Sheet
 - Asset goes Up = Cash Negative
 - Asset goes down = Cash Positive
 - Liability goes up = Cash Positive
 - Liability goes down = Cash Negative
 - Owner's Equity goes up = Cash Positive
 - Owner's Equity goes down = Cash Negative

Balance Sheet (000's)	2009	2010	\$ Change
Current Assets			
Cash	45,000	65,800	20,800
Accounts Receivable	45,000	60,000	15,000
Inventories	35,000	40,000	5,000
Prepaid Expenses	10,000	9,000	(1,000)
Total Current Assets	135,000	174,800	39,800
Property and Equipment			
Land	2,500,000	2,500,000	-
Building	450,000	550,000	100,000
Furniture & Equipment	50,000	75,000	25,000
Total Gross P&E	3,000,000	3,125,000	125,000
Less Accumulated Depreciation	(300,000)	(365,000)	(65,000)
Net P&E	2,700,000	2,760,000	60,000
Long-Term Investments	200,000	250,000	50,000
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Liabilities and Owners Equity			
Current Liabilities			
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CORPORATE FINANCE

FINANCIAL ANALYSIS

- ❑ Management Discussion and Analysis (MD&A)
- ❑ Equity & Bond Research – Wall Street Analysts
- ❑ The Financial Statements could be used by analysts to project the Company's performance and valuation
- ❑ For an effective performance of the Company, you need to ask the three following questions:
 1. How is the Company doing versus Last Year
 2. How is the Company doing versus its competitors / peers/ market
 3. How is the Company doing versus expectations

CORPORATE FINANCE

FINANCIAL ANALYSIS

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CORPORATE FINANCE

FINANCIAL RATIO ANALYSIS

□ Trend Analysis

	2010	Definition
<u>Trend Analysis Ratios</u>		
U.S. Revenue Growth	15.0%	(Rev 2010/Rev 2009) -1
Europe Revenue Growth	16.7%	
Asia Revenue Growth	25.0%	
Total Revenue Growth	15.6%	
EBITDA Growth	12.5%	(EBITDA 2010/EBITDA 2009) -1

□ Liquidity Ratio

- How well the Company manages **Cash**

	2010	Definition
<u>Liquidity Ratios</u>		
Current Ratio	2.57x	CA/CL
Quick ratio	1.85x	(Cash + A/R) / CL
Accounts Receivable Turnover (ART)	21.14x	Revenue/Avg AR
Accounts Receivable Days	17.26	365 / ART

CORPORATE FINANCE

FINANCIAL RATIO ANALYSIS

☐ Solvency Ratio

- How well the Company manages **Debt**

	2010	Definition
<u>Solvency Ratios</u>		
LTD / Total Capitalization	38.1%	LTD / (LTD + Equity)
EBITDA / Interest (Coverage Ratio)	3.61x	EBITDA / Interest
LTD / EBITDA (Leverage Ratio)	2.73x	LTD / EBITDA

☐ Activity and Operating Ratios

- It measures productivity and efficiency for running the business

	2010	Definition
<u>Activity Ratios / Operating Ratios</u>		
Inventory Ratio (IR)	11.20x	Cost of Revenues/Avg Inventory
Inventory Ratio - Days	32.59	365 / IR

Please note that there are a lot of ratios establish by specialization (i.e. for a Hotel company is Occupancy Rate or for a Cable company is revenue per subscriber)

CORPORATE FINANCE

FINANCIAL RATIO ANALYSIS

□ Profitability Ratio

- How profitable is the company

	2010	Definition
<u>Profitability Ratios</u>		
Gross Margin	62.2%	Gross Margin / Revenues
EBITDA Margin	39.0%	EBITDA / Revenue
EBIT Margin	33.2%	EBIT / Revenue
Return on Assets (ROA)	4.8%	NI / Avg Assets
Gross Return on Assets	11.8%	EBIT / Avg Assets
Return on Equity (ROE)	8.1%	NI / Avg Equity

CREDIT ANALYSIS



Commercial Banking

- Credit Analysis (Corporate / Project Finance / Asset Finance)
- Advisory (Syndications, Distribution, Sales & Trade)
- Portfolio Management
- Risk Management (Credit & Market)
- Operations – Compliance & KYC
- Loan Control/Treasury

• FRONT OFFICE

- Customer facing services
 - Corporate Finance: Underwrite, Lending / Investing (Primary Market)
 - Sales & Trade – (Secondary Market)
 - Advisory and Research

• MIDDLE OFFICE

- Risk Management
 - Market Risk
 - Credit Risk
 - Operating Risk
 - Liquidity Risk

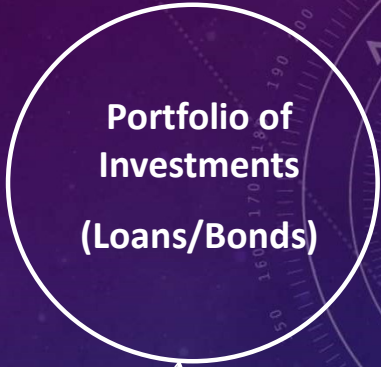
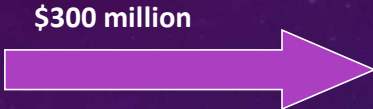
• BACK OFFICE

- Operations / IT (Technology) & Compliance

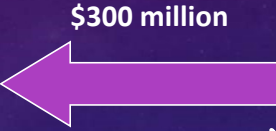
CREDIT ANALYSIS AND PORTFOLIO MANAGEMENT

Investment Management

Leverage Loan/Bond Fund
Equity: \$30,000,000
 ↑
Debt (Loan):
 \$270,000,000 @ Libor Rate + 2.0% or (\$5,400,000)



0.50% Management Fee \$1,500,000



Average LIBOR + 5%
 \$15,000,000



Gross Income	\$15,000,000
Less: Mgmt Fee	\$5,400,000
Loan	<u>\$1,500,000</u>
Net Income	\$8,100,000

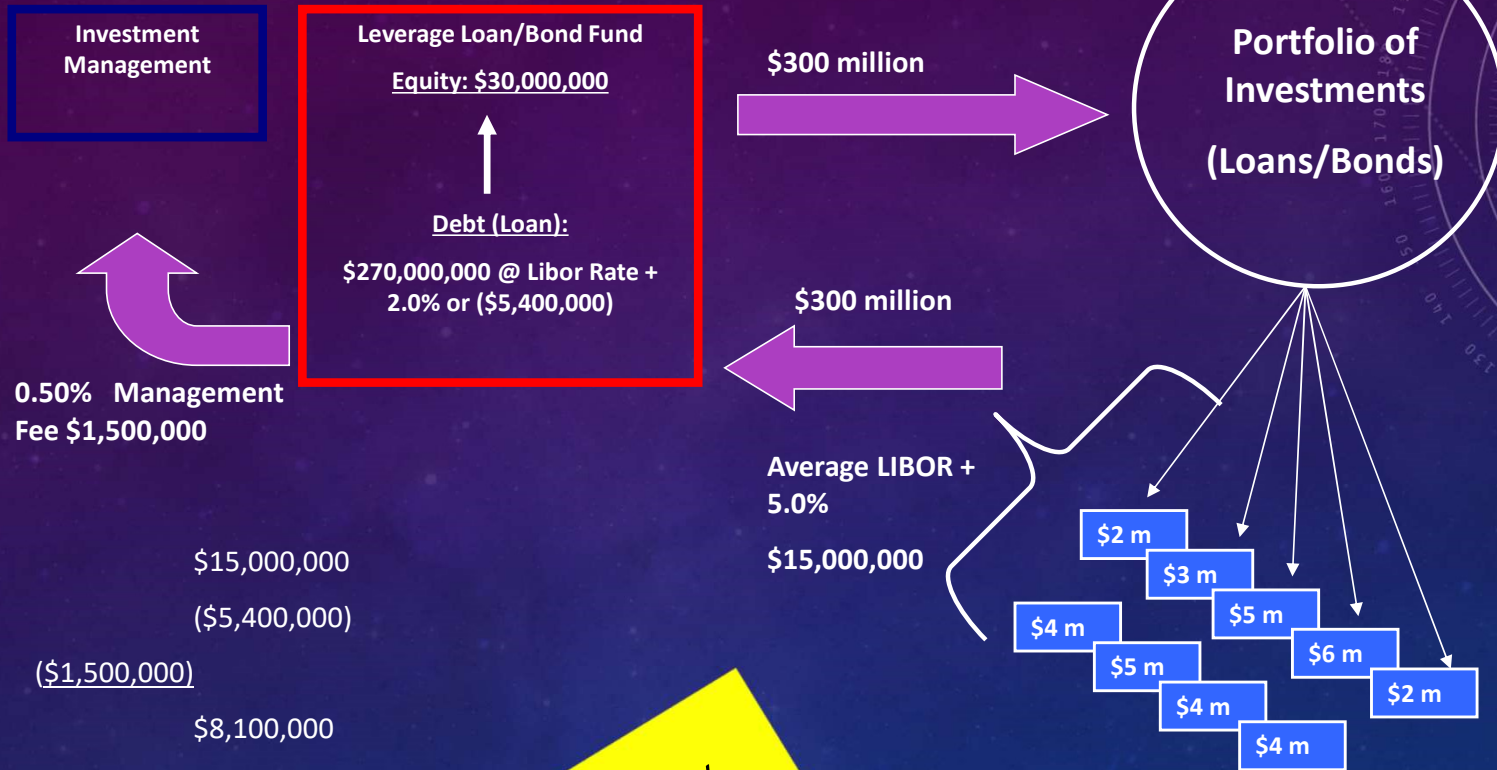
$\$8,100,000 / \$30,000,000 = 27.0\% \text{ Net}^1$

¹ Return before any assumed losses

Merchant Banking (CLOs, BDCs)

- Credit Analysis (Bonds/Loans)
- Portfolio Management

CREDIT ANALYSIS AND PORTFOLIO MANAGEMENT



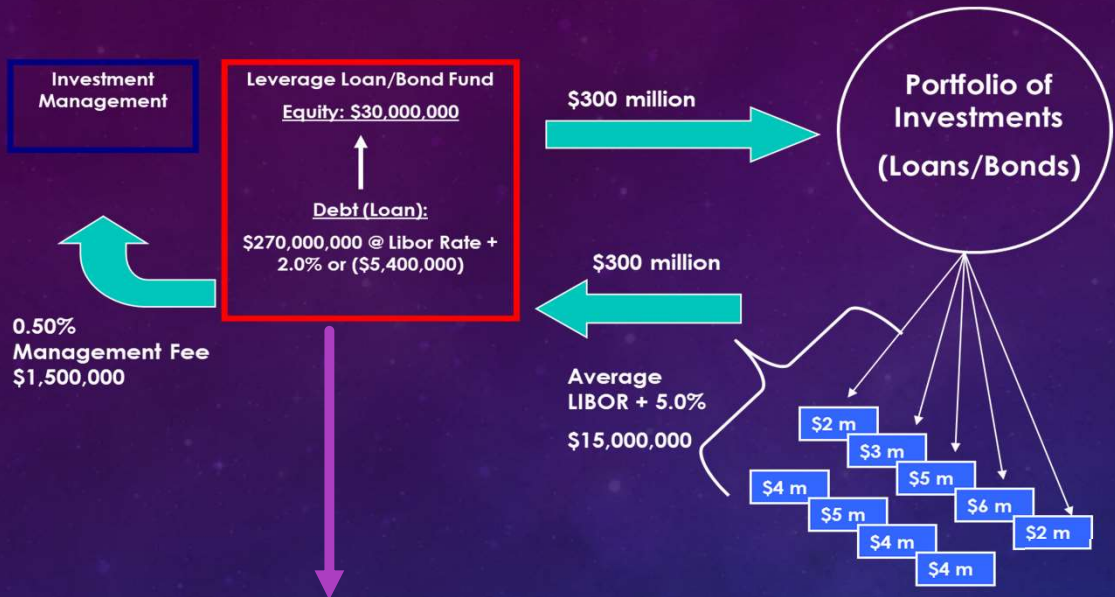
Gross Income	\$15,000,000
Less: Mgmt Fee	(\$5,400,000)
Loan	(\$1,500,000)
Gross Income	\$8,100,000
Less Assume 3.0% Loss	(\$9,000,000)
Plus Recovery 70%	<u>\$6,300,000</u>
Net Income	\$5,400,000

CASE STUDY

- Merchant Banking (CLOs, BDCs)**
- Credit Analysis (Bonds/Loans)
 - Portfolio Management

$\$5,400,000 / \$30,000,000 = 18.0\% \text{ Net}$

CREDIT ANALYSIS AND PORTFOLIO MANAGEMENT

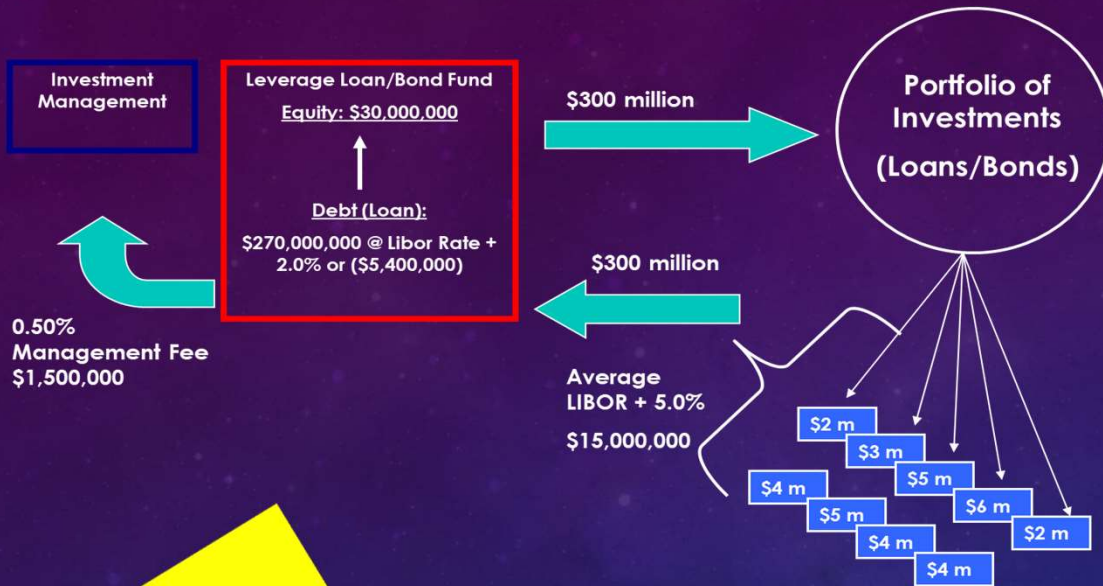


Capital Structure								
Tranche	Par amount	% Cap	% Debt	Rating S&P/M	Discount margin Libor+	Coupon	Price	WACD Libor +
A	195.0	65.0%	72.2%	AAA/Aaa	165	L+120	99.7695	119.17
B	27.0	9.0%	10.0%	AA/Aa2	200	L+185	97.3653	20.00
C	24.0	8.0%	8.9%	A/A2	295	L+285	94.8608	26.22
D	15.0	5.0%	5.6%	BBB/Baa2	371	L+375	90.0358	20.61
E	9.0	3.0%	3.3%	BB/Ba2	420	L+420	93.9848	14.00
Total Debt	270.0	90.0%	100.0%					
Equity	30.0	10.0%		NR				
	300.0	100.0%						200.0

CASE STUDY

- Merchant Banking (CLOs, BDCs)**
- Credit Analysis (Bonds/Loans)
 - Portfolio Management

CREDIT ANALYSIS AND PORTFOLIO MANAGEMENT



CASE STUDY

- Merchant Banking (CLOs, BDCs)**
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Portfolio of Leveraged Loans

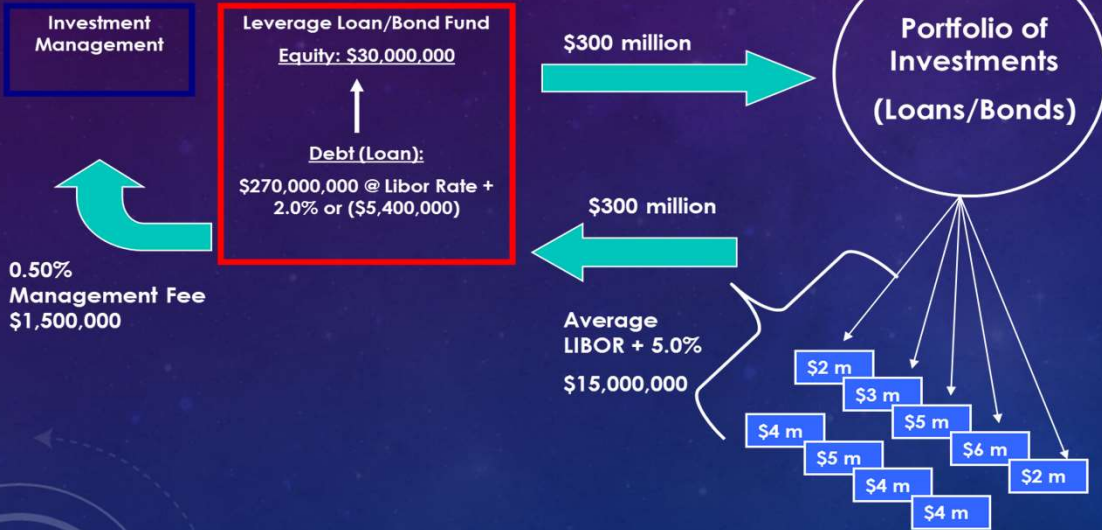
	Par amount	% Cap	Rating S&P	Discount margin Libor+	Annual Income L+	WAI
Company 1	9.5	3.2%	B+	375	354,597	11.82
Company 2	15.8	5.3%	B-	550	866,792	28.89
Company 3	11.3	3.8%	B	525	590,994	19.70
Company 4	9.9	3.3%	B+	400	396,248	13.21
Company 5	13.5	4.5%	B+	425	574,109	19.14
Company 6	6.8	2.3%	BB-	375	253,283	8.44
Company 7	6.8	2.3%	B+	425	287,054	9.57
Company 8	11.3	3.8%	B	450	506,567	16.89
Company 9	8.7	2.9%	B-	575	498,405	16.61
Company 10	11.3	3.8%	CCC	800	900,563	30.02
Company 11	13.5	4.5%	B+	425	574,109	19.14
Company 12	11.3	3.8%	B-	600	675,422	22.51
Company 13	13.5	4.5%	B	525	709,193	23.64
Company 14	6.8	2.3%	B+	475	320,826	10.69
Company 15	13.5	4.5%	B+	375	506,567	16.89
Company 16	14.4	4.8%	BB	350	504,315	16.81
Company 17	12.2	4.1%	B+	425	516,698	17.22
Company 18	13.5	4.5%	B-	525	709,193	23.64
Company 19	12.6	4.2%	B-	525	661,914	22.06
Company 20	15.8	5.3%	B-	550	866,792	28.89
Company 21	13.5	4.5%	B-	525	709,193	23.64
Company 22	11.3	3.8%	B-	597	672,045	22.40
Company 23	13.5	4.5%	B-	550	742,964	24.77
Company 24	14.4	4.8%	B-	565	814,109	27.14
Company 25	15.8	5.3%	B-	500	787,992	26.27
	300.0	100.0%			14,999,944	500.00

CREDIT ANALYSIS AND PORTFOLIO MANAGEMENT

Merchant Banking (CLOs, BDCs)

- Credit Analysis (Bonds/Loans)
- Portfolio Management

CASE STUDY



Portfolio of Leveraged Loans

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	300.0	100.0%			15,000,000	500.00

Cash Flow and Return

Tranches	Par amount	Margin LIBOR +	Annual Debt Svc
A	195.0	165.00	3,217,500
B	27.0	200.00	540,000
C	24.0	295.00	708,000
D	15.0	371.00	556,500
E	9.0	420.00	378,000
			5,400,000
Equity CF Before Management Fees			9,600,000
ROE			32.0%
BASE CASE			
Default Rate			3.00%
Recovery			70.00%
LGD rate			0.900%
LGD			2,700,000
RAROC			6,900,000
RAROC %			23.00%
BREAK EVEN			
Default Rate			10.667%
Recovery			70.00%
LGD rate			3.200%
LGD			9,600,000

INVESTMENT ANALYSIS



Investment Banking

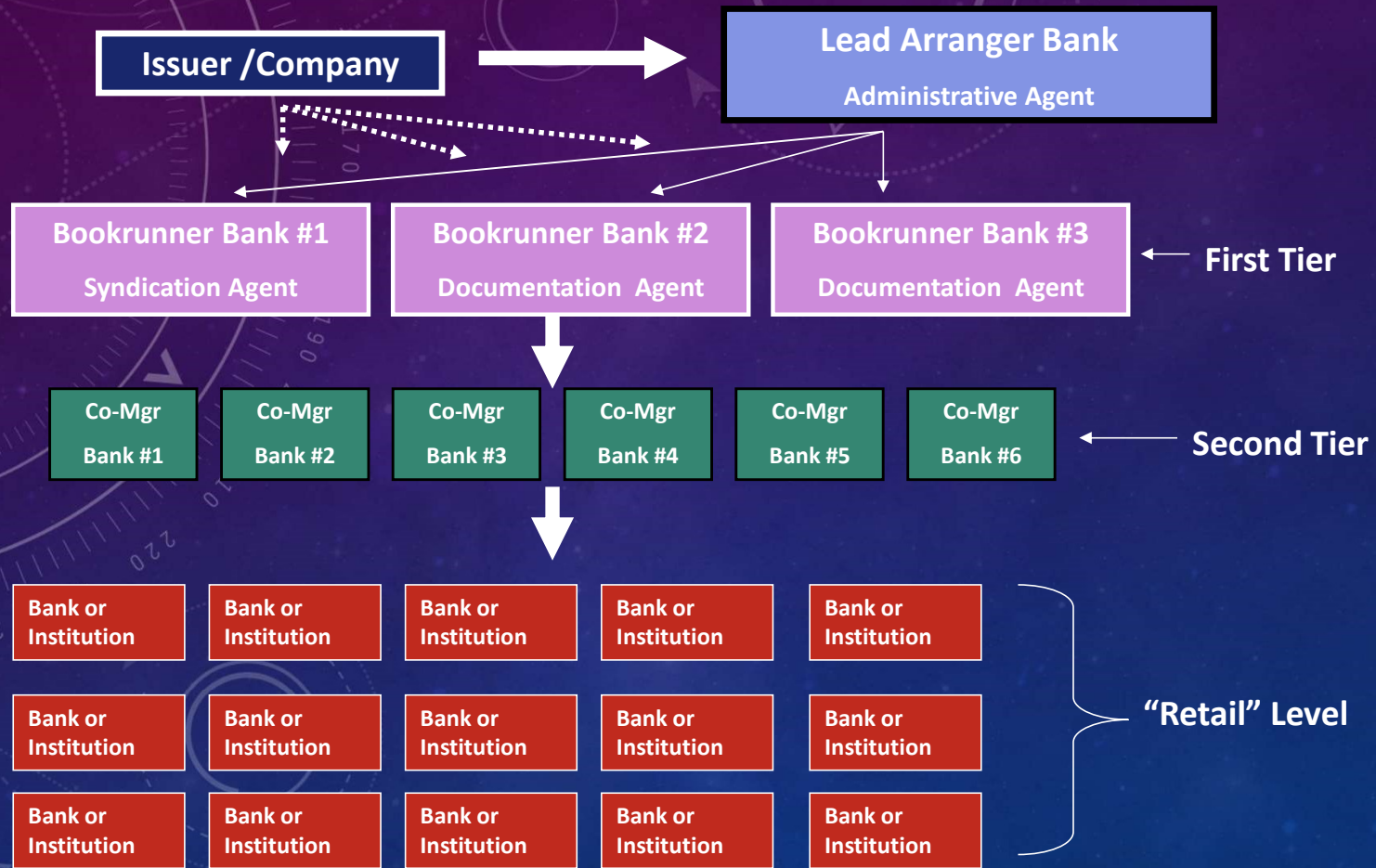
Broker/Dealer

Underwrite Initial Securities – Raising Capital
Sales and Trade (Stock, Bonds and Derivatives)

Advice

Mergers & Acquisitions – Valuation
Raising Capital
Research / Recommendations

The Loan Syndication Process



The Loan Syndication Process

- The issuer or Company solicits bids from Arrangers.
- Arrangers will outline their syndication strategy and their view on the way the loan will price in market.
- Issuer gives the mandate to one or more Arrangers (Co-Arrangers)
- The arranger will prepare an information memo (IM) describing the terms of the transactions.
- The IM typically will include:
 - Executive Summary
 - Investment Considerations
 - **Summary of Terms and Conditions (Term Sheet)**
 - Transaction Overview
 - Company
 - Management and Equity Sponsor Overview
 - Industry Overview
 - Financial Model
 - Timing for commitments, closing, as well as fees on level of commitments
- Bank meeting is scheduled at which potential lenders hear the management and the Investor group.
- A deadline is given for the banks to send their commitment levels subject to final documentation.
- Each Bank analyzes the deal's credit and assess the pricing (RORA). **Each Issuer is assigned an internal rating.**
- The Arranger collects all commitments – different amounts from each Bank.
- Allocations are given and Legal Documentation is sent for their final review.
 - If the Deal is Oversubscribed, the allocation of each bank will most likely be reduced
 - If the Deal is Undersubscribed, depending on the FLEX language, the pricing could be Flexed up.
- After Review of Legal Documentation by each lender and signatures are sent, the Deal closes and funds.

CONFIDENTIAL INFORMATION MEMORANDUM

FOR PUBLIC INVESTORS



\$9,250,000,000

SENIOR SECURED CREDIT FACILITIES

JANUARY 2008

Special Notice regarding Publicly Available Information

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Joint Lead Arrangers and Joint Bookrunning Managers



INVESTMENT BANKING

CONFIDENTIAL INFORMATION MEMORANDUM
FOR PUBLIC INVESTORS



\$9,250,000,000

SENIOR SECURED CREDIT FACILITIES

JANUARY 2008

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Joint Lead Arrangers and Joint Bookrunning Managers

Bank of America

Deutsche Bank



CREDIT SUISSE

JPMorgan

Merrill Lynch

Co-Managers

BEAR STEARNS



Morgan Stanley

INVESTMENT ANALYSIS



Stock Analysis

Stock Reports
recommending
BUY/HOLD/SELL

STOCK REPORT
EXAMPLE



INVESTMENT ANALYSIS

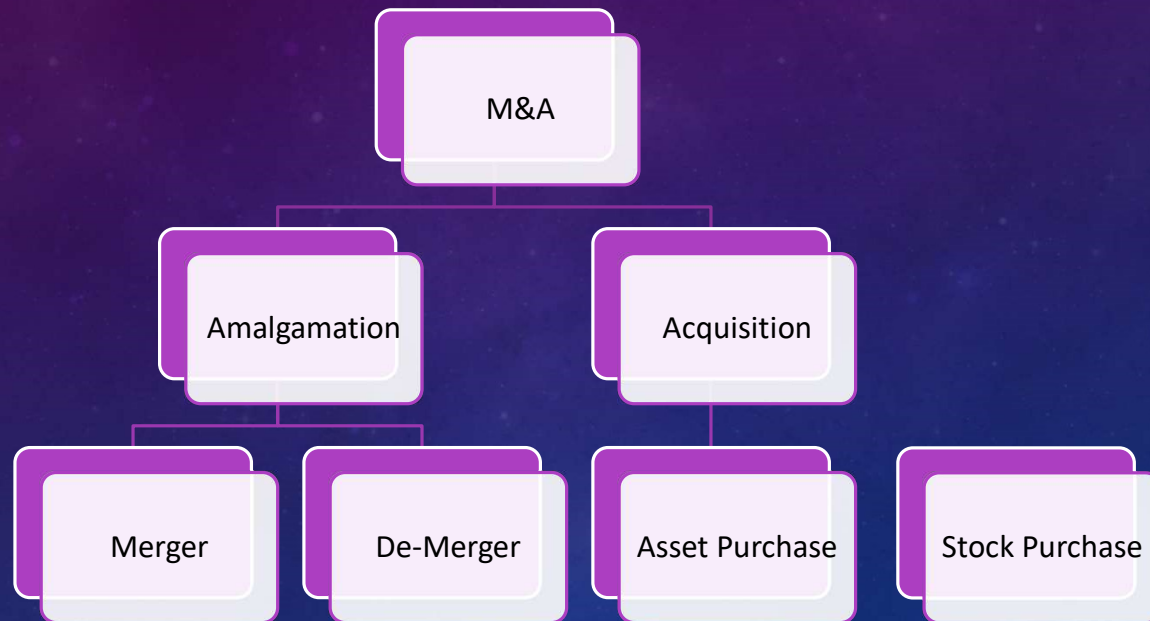


Mergers & Acquisitions / IPO

- Corporate Valuation
- Sell / Buy Advice
- Financing Advice

INVESTMENT ANALYSIS

MODES OF MERGERS & ACQUISITIONS



INVESTMENT ANALYSIS

METHOD #1

CASE STUDY

AK Steel Holding Corp. (AKS)

CORPORATE VALUATIONS

METHOD #1 - Market Value / Using the Stock Price

Calculations →		SP	SO	SP * SO = EQ	D	C	EQ + D - C = EV
Company	Symbol	Stock Price	Stocks Outstanding (\$000)	Equity Value (\$000)	Debt (ST<) (\$000)	Cash (\$000)	Enterprise Value (\$000)
		11/29/2018	11/29/2018	11/29/2018	9/30/2018	9/30/2018	11/29/2018
AK Steel	AKS	\$ 3.10	315,540	978,174	2,030,000	47,300	2,960,874

AK Steel Holding Corp. (AKS)

CORPORATE VALUATIONS

METHOD #4 -Average EBITDA Industry Trading Multiples

Company	Symbol	Stock Price	Stocks Outstanding (\$000)	Equity Value (\$000)	Debt (ST<) (\$000)	Cash (\$000)	Enterprise Value (\$000)	EBITDA (\$mm)	EBITDA Multiple	Beta
United Steel	X	\$ 22.93	177,270	4,064,801	2,500,000	1,340,000	5,224,801	1,360,000	3.84x	4.04x
Steel Dynamics	STLD	\$ 35.12	229,550	8,061,796	2,370,000	999,320	9,432,476	1,860,000	5.07x	1.50x
Reliance Steel Industries	RS	\$ 79.99	70,430	5,633,696	2,070,000	112,100	7,591,596	1,180,000	6.43x	1.08x
Schtzer Steel Industries	SCHN	\$ 26.66	25,690	684,895	107,380	4,700	787,575	195,020	4.04x	0.78x
Olympic Steel	ZEUS	\$ 18.19	11,010	200,272	304,480	4,270	500,482	70,450	7.10x	2.52x
AK Steel Holding Corp. (AKS)	AKS	\$ 3.10	315,540	978,174	2,030,000	47,300	2,960,874	470,000	6.30x	2.91x
EBITDA * Average Multiple			470,000	5.30x				Average	5.30x	2.14x
Enterprise Value			2,489,971							

METHOD #2

INVESTMENT ANALYSIS

METHOD #3

AK Steel Holding Corp. (AKS)

CORPORATE VALUATIONS

METHOD #5 - Using Average EBITDA Transaction Multiples (M&A Comparable Method)

Calculations		AP	SO	AP * SO = EQ	ND	EQ + ND = EV	E	EV / E
Target	Acquirer	Acquisiti on Price /Share	Shares Outstanding	Equity Value (\$000)	Total Net Debt (\$ 000)	Enterprise Value (EV)	EBITDA (\$ 000)	EBITDA Multiple
ZS Steel	Archimedes PE	\$ 47.50	24,000,000	\$ 1,140,000	\$ 1,500,000	\$ 2,640,000	\$ 350,000	7.54x
Celerity Steel Manufacturing	AZM Steel & Aliminum	\$ 34.00	123,000,000	\$ 4,182,000	\$ 2,500,000	\$ 6,682,000	\$ 1,100,000	6.07x
Yes Steel & Aluminum Co.	Kingtom Steel	\$ 45.00	13,500,000	\$ 607,500	\$ 450,000	\$ 1,057,500	\$ 190,000	5.57x
HI Steel Manufacturing Inc.	Excel Steel	\$ 22.00	234,000,000	\$ 5,148,000	\$ 1,400,000	\$ 6,548,000	\$ 1,230,000	5.32x
Precision Steel	MW Inc.	\$ 12.00	85,000,000	\$ 1,020,000	\$ 1,200,000	\$ 2,220,000	\$ 320,000	6.94x
Ross West Steel	Greenstone Capital	\$ 8.00	45,000,000	\$ 360,000	\$ 240,000	\$ 600,000	\$ 98,000	6.12x
						Average		6.26x
Enterprise Value	2,942,726			470,000	6.26x			

CASE STUDY

INVESTMENT ANALYSIS

METHOD #4

AK Steel Holding Corp. (AKS)

CORPORATE VALUATIONS

METHOD #6 - Discount Cash Flow Valuation Analysis

Discount Cash Flow Valuation Analysis	Historical Assumptions	Projected Assumptions	Input Actual 9/30/2018	year =					EXIT YEAR	
				1	2	3	4	5	6	12/31/2022
Revenues			6,640,000	6,905,600	7,181,824	7,433,188	7,693,349	7,962,617	8,241,308	
Revenue Growth				4.0%	4.0%	3.5%	3.5%	3.5%	3.5%	
Cost of Revenues (CoGS)	87.7%	86.0%	(5,820,800)	(5,938,816)	(6,176,369)	(6,392,542)	(6,616,280)	(6,847,850)	(7,087,525)	
Operating Expenses (Excl. Non-rec.)	9.1%	8.0%	(602,300)	(552,448)	(574,546)	(594,655)	(615,468)	(637,009)	(659,305)	
EBIT			216,900	414,336	430,909	445,991	461,601	477,757	494,478	
Less Taxes (tax rate x of EBIT)		36.0%	-	(149,161)	(155,127)	(160,557)	(166,176)	(171,993)	(178,012)	
Plus Depreciation	3.8%	4.0%	253,100	276,224	287,273	297,328	307,734	318,505	329,652	
Less Working Capital	0.0%	0.0%	-	-	-	-	-	-	-	
Less Capex	2.5%	2.5%	(164,900)	(172,640)	(179,546)	(185,830)	(192,334)	(199,065)	(206,033)	
Cash Flow			305,100	368,759	383,509	396,932	410,825	425,204	440,086	

EBITDA	470,000	690,560	718,182	743,319	769,335	796,262	824,131
Debt (assuming 5% reduction of initial principal per year)	2,030,000	1,928,500	1,827,000	1,725,500	1,624,000	1,522,500	1,421,000

Terminal Value	Assumptions	Growth	
EBITDA Multiple Method	5.30x	(EBITDA x EBITDA Multiple)	4,218,443
Perpetuity Method	13.56%	3.00% Next Year's Cash Flow / (Discount Rate - Growth)	4,168,004
Average			4,193,224
Less Debt Outstanding (at Exit)			(1,522,500)
Plus Cash (at Exit)			-
Equity Value at Terminal			2,670,724

Equity Cash Flows	32%	PV (for \$1)		368,759	383,509	396,932	410,825	3,095,927
1	PV (1) =	0.7584376	\$279,681					
2	PV (2) =	0.5752276	\$220,605					
3	PV (3) =	0.4362743	\$173,171					
4	PV (4) =	0.3308868	\$135,937					
5	PV (5) =	0.2509570	\$776,945					
	PV=		\$1,586,338					

Enterprise Value =	PV of Equity + PV of Debt
PV of Equity =	\$1,586,338
+ PV of Debt =	2,030,000
+ PV of Cash =	(47,300)

Enterprise Value	3,569,038
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Cost of Equity Calc	
Risk Free Rate (5 year)	2.75%
Premium based on MC =	10.00%
Company Beta =	2.91x
Expected Equity Return =	31.9%

Interest LTM (\$ 000s)	
	150,500
	7.41% Rate

WACC Calc:	% Cap	AT RoR	WACC	
Debt	2,030,000	67.5%	4.745%	3.202%
MV Equity	978,174	32.5%	31.850%	10.357%
		100.0%		13.559%

CASE STUDY

INVESTMENT ANALYSIS

METHOD #5

CASE STUDY

AK Steel Holding Corp. (AKS)

CORPORATE VALUATIONS

METHOD #7 - Leveraged Buyout (LBO) Analysis

Transactions Uses	Current Stock Price	Premium	Purchase Stock Price	Shares Outstanding (millions)	Total Amount (\$ 000's)	% Total Uses	EBITDA Multiple
Purchase of 100% Shares	\$ 3.10	0%	\$ 3.10	315,540	978,174	31.42%	2.08x
Refinance Short-Term & Long Term Debt					2,030,000	65.20%	4.32x
Transaction Fees & Expenses	3.50%				105,286	3.38%	0.22x
Total Cost of Transaction (Uses)					3,113,460	100.00%	6.62x

Transactions Sources	EBITDA Multiple (Capacity)	Interest Rate / Expected Return	After Tax Interest Rate Adjustments	WACC Calc	Total Amount (\$ 000's)	% Capital
Bank Loan	2.00x	5.0%	3.20%	0.966%	940,000	30.19%
Corporate Bonds	1.00x	8.0%	5.12%	0.773%	470,000	15.10%
Total Debt	3.00x				1,410,000	45.29%
Equity	3.62x	31.9%	31.9%	17.426%	1,703,460	54.71%
Total Sources	6.62x			19.165%	3,113,460	100.00%

Cost of Equity Calc	
Risk Free Rate (5 year)	2.75%
Premium based on MC =	10.00%
Beta =	2.91x
Expected Equity Return =	31.9%

Debt Schedule	Years	Rate	9/30/2018	LTM									
				12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025		
Bank Loan	7	5.0%											
Outstanding			940,000	940,000	921,200	883,600	809,904	668,528	466,052	265,494	-		
Scheduled Principal Payments (P)				-	18,800	37,600	73,696	141,376	202,476	200,558	265,494		
Interest Payments (I)				47,000	47,000	46,060	44,180	40,495	33,426	23,303	13,275		
Total Payments (P+I)				47,000	65,800	83,660	117,876	181,871	235,902	223,861	278,768		
Corporate Bonds	10	8.0%											
Outstanding			470,000	470,000	470,000	470,000	470,000	470,000	470,000	470,000	470,000	470,000	470,000
Scheduled Principal Payments (P)				-	-	-	-	-	-	-	-	-	-
Interest Payments (I)				37,600	37,600	37,600	37,600	37,600	37,600	37,600	37,600	37,600	37,600
Total Payments (P+I)				37,600	37,600	37,600	37,600	37,600	37,600	37,600	37,600	37,600	37,600
Interest Payments				84,600	84,600	83,660	81,780	78,095	71,026	60,903	50,875		
Principal Payments				-	18,800	37,600	73,696	141,376	202,476	200,558	265,494		
Total Debt Payments				84,600	103,400	121,260	155,476	219,471	273,502	261,461	316,368		
Total Debt Outstanding				1,410,000	1,391,200	1,353,600	1,279,904	1,138,528	936,052	735,494	470,000		

INVESTMENT ANALYSIS

METHOD #5

CASE STUDY

AK Steel Holding Corp. (AKS)

CORPORATE VALUATIONS

METHOD #7 - Leveraged Buyout (LBO) Analysis

Discout Cash Flow Valuation Analysis	Historical Assumptions	Projected Assumptions	year =					EXIT YEAR	
			Input Actual 9/30/2018	1 12/31/2018	2 12/31/2019	3 12/31/2020	4 12/31/2021	5 12/31/2022	6 12/31/2023
Revenues			6,640,000	6,905,600	7,181,824	7,433,188	7,693,349	7,962,617	8,281,121
Revenue Growth				4.0%	4.0%	3.5%	3.5%	3.5%	4.0%
Cost of Revenues (CoGS)	87.7%	86.0%	(5,820,800)	(5,938,816)	(6,176,369)	(6,392,542)	(6,616,280)	(6,847,850)	(7,121,764)
Operating Expenses (Excl. Non-rec.)	9.1%	7.0%	(602,300)	(483,392)	(502,728)	(520,323)	(538,534)	(557,383)	(579,678)
EBIT			216,900	483,392	502,728	520,323	538,534	557,383	579,678
Less Interest				(84,600)	(84,600)	(83,660)	(81,780)	(78,095)	(71,026)
EBT			216,900	398,792	418,128	436,663	456,754	479,288	508,652
Less Taxes (tax rate x of EBIT)		36.0%	-	(143,565)	(150,526)	(157,199)	(164,432)	(172,544)	(183,115)
Net Income			216,900	255,227	267,602	279,464	292,323	306,744	325,537
Plus Depreciation	3.8%	3.8%	253,100	263,224	273,753	283,334	293,251	303,515	315,655
Plus Amortization		7 Years		15,041	15,041	15,041	15,041	15,041	45,123
Less Working Capital	0.0%	0.0%		-	-	-	-	-	-
Less Capex	2.5%	2.5%	(164,900)	(171,496)	(178,356)	(184,598)	(191,059)	(197,746)	(205,656)
Cash Flow Before Principal Payment			305,100	361,996	378,040	393,241	409,556	457,635	435,537
Debt Principal Payment				-	(18,800)	(37,600)	(73,696)	(141,376)	(202,476)
Equity Cash Flows			305,100	361,996	359,240	355,641	335,860	316,259	233,061
EBITDA			470,000	746,616	776,481	803,657	831,785	860,898	895,334
Debt			2,030,000	1,410,000	1,391,200	1,353,600	1,279,904	1,138,528	936,052

Terminal Value	Assumptions	Growth	
EBITDA Multiple Method	5.30x	(EBITDA x EBITDA Multiple)	4,560,874
Perpetuity Method	19.17%	4.00% Next Year's Cash Flow / (Discount Rate - Growth)	2,871,977
Average			3,716,425
Less Debt Outstanding (at Exit)			(1,138,528)
Plus Cash (at Exit)			-
Equity Value at Terminal			2,577,897

Desired Equity Return =	35%		
Equity Cash Flows	31.9%	PV (for \$1)	
			361,996 359,240 355,641 335,860 2,894,157
1	PV (1) =	0.7407407	\$268,145
2	PV (2) =	0.5486968	\$197,114
3	PV (3) =	0.4064421	\$144,548
4	PV (4) =	0.3010682	\$101,117
5	PV (5) =	0.2230135	\$645,436
	PV=		\$1,356,359

Enterprise Value =	PV of Equity + PV of Debt
PV of Equity =	\$1,356,359
+ PV of Debt =	2,030,000
+ PV of Cash =	(47,300)
Enterprise Value	3,339,059

INVESTMENT ANALYSIS

SUMMARY VALUATION

AK Steel Holding Corp. (AKS)

CORPORATE VALUATIONS

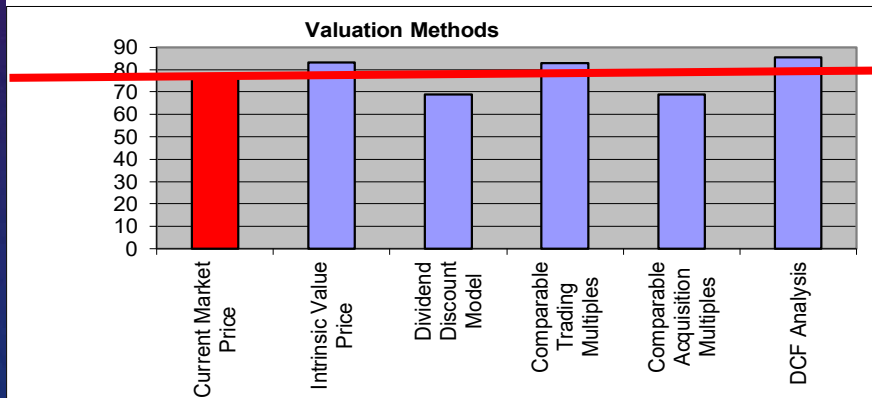
ENTERPRISE VALUATION ANALYSIS

	EV	Debt	Cash	Equity Value	Shares Outs	Stock Price
Book Value Equity	2,079,800	2,030,000	47,300	97,100	315,540	\$ 0.31
METHOD #1 - Market Value / Using the Stock Price	2,960,874	2,030,000	47,300	978,174	315,540	\$ 3.10
METHOD #2- Intrinsic Value	2,939,970	2,030,000	47,300	957,270	315,540	\$ 3.03
METHOD #3- Dividend Discount Model (DDM)	1,982,700	2,030,000	47,300	-	315,540	\$ -
METHOD #4 - Average EBITDA Industry Trading Multiples	2,489,971	2,030,000	47,300	507,271	315,540	\$ 1.61
METHOD #5 - Using Average EBITDA Transaction Multiples	2,942,726	2,030,000	47,300	960,026	315,540	\$ 3.04
METHOD #6 - Discount Cash Flow Valuation Analysis	3,569,038	2,030,000	47,300	1,586,338	315,540	\$ 5.03
METHOD #7 - LBO Analysis	3,339,059	2,030,000	47,300	1,356,359	315,540	\$ 4.30
Average of other methods	2,814,213	2,030,000	47,300	831,513		\$ 2.55

Premium

38.7%

MARKET VALUE METHODS



CASE STUDY