

Acushnet Holdings Corp. Company Report

We recommend an **Overweight** in Acushnet Holdings.

Acushnet, the manufacturer of Titleist and FootJoy branded golf products, is a juggernaut in the golf equipment industry with \$1.6 billion in sales per annum. Its Titleist golf balls have dominated the sport for years, and FootJoy is also the #1 brand in golf shoes and gloves.

We see Titleist's flagship products, such as the Pro V1 golf ball, as not only strong brands, but also representative of Acushnet's superior R&D. The company's strong competitive position will allow it to sustain healthy margins in a mature industry, as pricing in the market has remained rational despite disruptions in U.S. brick and mortar retail.

Given several years of foreign currency headwinds, we feel that Acushnet's headline financials disguise what are very strong underlying fundamentals.

Our target price of \$33.71 represents a **39% upside** to the current price (as of April 27).

Recommendation **Overweight**

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Acushnet Holdings Corp.	
Ticker	GOLF NYSE
Price (Apr 27, 2018)	24.17
Price Target	33.71
52-week Range	15.16 – 24.70
Market Cap	\$1.8 billion
EV	\$2.1 billion
Shares out, dil	74.7 mn
P/E	19.7x

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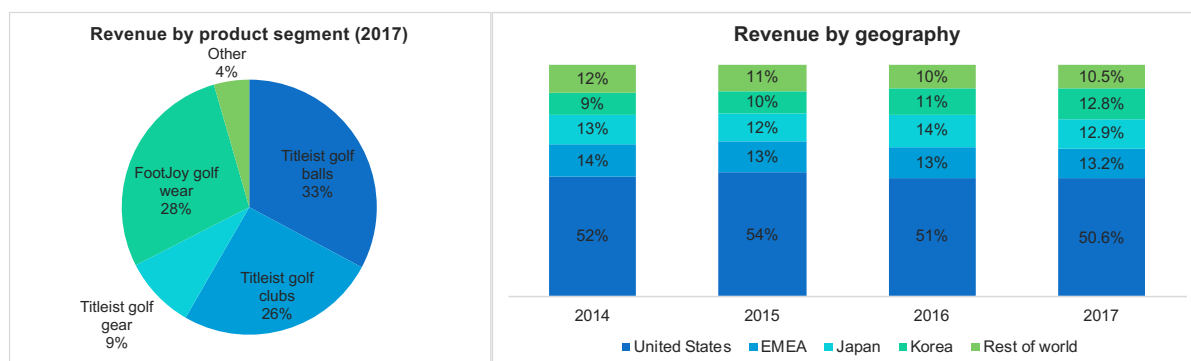
Company Overview

Acushnet designs, develops, manufactures, and sells a range of golf equipment mainly in the US, which accounts for >50% of its sales, as well as Europe, Japan, and Korea. Acushnet's major brands – Titleist golf balls, Titleist golf clubs and FootJoy foot wears – contribute relatively evenly to its sales. The company is headquartered in Massachusetts, USA, and had its IPO in October 2016.

Acushnet is one of the three largest golf product companies that are publicly listed. The stock is currently trading at 19.7x, a slightly lower multiple than the major sporting goods companies.

Table 1: Global golf equipment brands vs. major sportswear brands

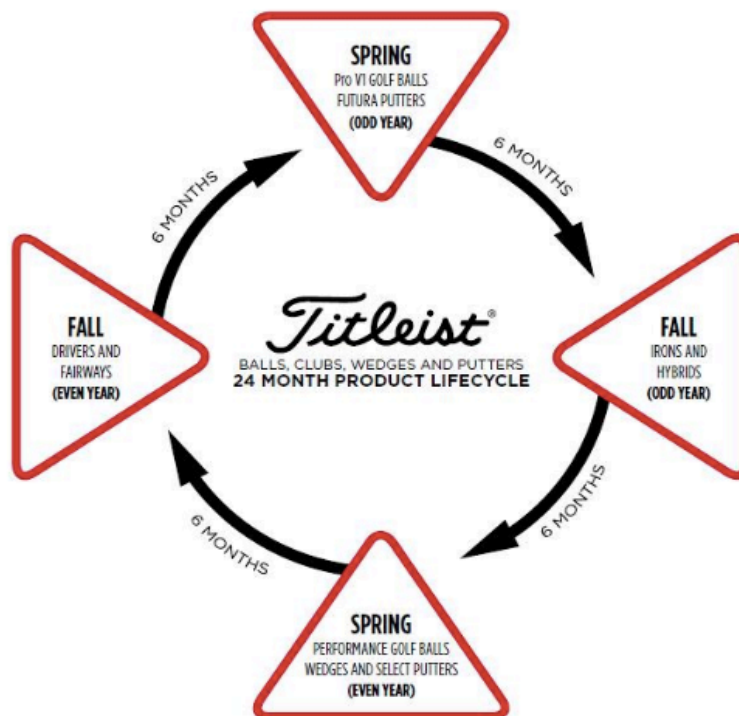
Company Name	Market Cap (USD mn)	P/E*	Price (USD)	EPS
Golf Products				
Acushnet Holdings Corp. (NYSE:GOLF)	1,802.1	19.7x	24.17	1.24
Callaway Golf Company (NYSE:ELY)	1,654.3	22.4x	17.95	0.43
Honma Golf Limited (SEHK:6858)	672.8	13.8x	1.08	0.08
Volvik Inc. (XKON:A206950)	33.3	-	7.48	-
Graphite Design, Inc. (JASDAQ:7847)	38.9	6.4x	5.52	0.96
Maruman & Co., Ltd. (JASDAQ:7834)	30.0	17.1x	1.84	0.15
Endo Manufacturing Co., Ltd. (JASDAQ:7841)	62.0	32.1x	6.95	0.22
Competitive Sportswear Manufacturers/ Retailers				
Under Armour, Inc. (NYSE:UAA)	6,819.3	NM	17.83	(0.11)
adidas AG (DB:ADS)	51,986.3	31.1x	249.12	6.56
NIKE, Inc. (NYSE:NKE)	108,390.8	64.3x	69.56	2.56



Source: Capital IQ, Company data; Date as of Apr 27, 2018; *P/Diluted EPS Before Extra LTM

Financials Discussion

Revenue



Source: Company data, 2017

The above chart shows the product lifecycle for Titleist branded products – essentially, new products come out for each line every two years.

For revenue projections, we forecast on an operating segment basis:

Segment revenue:

<i>millions USD</i>	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Titleist golf balls	552	544	535	514	512	493	493	474	474	469	484	478	493	488	504
Growth		-1.4%	-1.5%	-4.0%	-0.4%	-3.7%	-0.1%	-3.7%	-0.1%	-1.1%	3.2%	-1.1%	3.2%	-1.1%	3.2%
Titleist golf clubs	396	422	388	431	398	437	407	447	416	457	425	467	435	477	444
Growth		6.7%	-8.1%	11.0%	-7.7%	9.8%	-6.9%	9.8%	-6.9%	9.8%	-6.9%	9.8%	-6.9%	9.8%	-6.9%
Titleist golf gear	117	128	129	136	143	150	156	161	167	171	174	177	179	180	180
Growth		9.3%	1.2%	5.3%	4.9%	4.7%	4.2%	3.6%	3.1%	2.6%	2.1%	1.6%	1.0%	0.5%	0.0%
FootJoy golf wear	396	422	419	433	437	445	452	459	464	469	473	476	477	478	478
Growth		6.5%	-0.7%	3.4%	1.0%	1.8%	1.6%	1.4%	1.2%	1.0%	0.8%	0.6%	0.4%	0.2%	0.0%
Other	17	22	31	58	70	70	70	70	70	70	70	70	70	70	70
Total	1,477	1,538	1,503	1,572	1,560	1,595	1,578	1,611	1,591	1,635	1,626	1,668	1,654	1,693	1,676
Growth		4.1%	-2.3%	4.6%	-0.8%	2.2%	-1.1%	2.1%	-1.3%	2.8%	-0.6%	2.6%	-0.8%	2.4%	-1.0%

Segment revenue - constant currency:

<i>millions USD</i>	2013	2014	2015	2016	2017
Titleist golf balls		-1.1%	3.2%	-3.7%	-0.1%
Titleist golf clubs		8.8%	-2.1%	9.8%	-6.9%
Titleist golf gear		9.8%	7.3%	5.5%	5.2%
FootJoy golf wear		7.2%	5.8%	3.6%	2.0%
Constant currency growth		5.0%	3.5%	4.5%	-0.2%
Sales indexed to 2014		100.0%	103.5%	108.2%	107.9%
				CAGR	2.6%

- **Titleist golf balls**

The dominance of Titleist golf balls is probably best captured by this quote from management in 2017:

"Golf ball count on the US PGA Tour is 68%, up 300 bps YoY, where the nearest competitor is at 10%." –Management comments from 2017

For golf balls, we assume a tough next four years (two product cycles) for Titleist, as their largest competitor Callaway has publicly stated their intention to be more aggressive in golf balls. This makes sense, as they are the highest-margin products in golf. The last two years for Titleist balls (-3.7% and -0.1% on a constant currency basis) included severe retail channel disruptions, but we assume these numbers will repeat themselves through 2021 to reflect the heightened competition. Thereafter, we see Titleist balls returning to the growth shown in 2014-2015, whereby their first model year sees sales increases of 3.2%, and declines in 1.1% in off years.

- **Titleist golf clubs**

For clubs, we assume the 2016-2017 performance repeats itself in two-year cycles (+6.9%, -9.8%) going forward. While retail channel disruptions impacted this segment as well, we do not think clubs are as resilient as balls for Acushnet. This implies an annual growth rate of ~1.5%.

- **Titleist golf gear & FootJoy**

In our model, both of these segments have sales growth steadily declining to 0% over the next ten years, from last year's constant currency results. In a mature industry, this translates to a slight underperformance relative to the entire market.

While these are strong brands, we feel that gear and apparel are the most susceptible to e-commerce threats from entering firms. Additionally, while Titleist balls and clubs are defended by patents that display superior R&D, the gear and apparel are merely supported by trademarks and consumer sentiment.

For more detailed discussions on the segment sales growth in past years, below is the consolidated information in a table format.

Consolidated tables: detailed discussions on product segment revenue growth (paraphrased from Acushnet's 10-K's and S-1)

Titleist golf balls		
2014	-1.1%	Volume decline in second model year of Pro V1; volume increase in new line of performance balls (lower price than Pro V1)
2015	3.2%	Sales volume shift to new generation of Pro V1
2016	-3.7%	Retail disruption by Sports Authority and Golfsmith bankruptcies; second model year of Pro V1; volume increase in performance balls new model
2017	-0.1%	Volume decline of second model year performance balls; volume growth in new Pro V1; continued retail channel disruptions in United States; increased competitive promotional activity
Titleist golf clubs		
2014	8.8%	Higher volume in new wedges, putters, and irons; volume declines in older fairways and hybrids
2015	-2.1%	Lower sales across clubs except new hybrids; high retail inventory and discounting by other brands
2016	9.8%	Increase in prices for wedges, irons, and putters; higher volume in wedges, new drivers, fairways, and putters; volume decline in old hybrids
2017	-6.9%	Lower volumes in old drivers, fairways, wedges; volume increase in new irons; ***increase in average selling prices across all categories
Titleist golf gear		
2014	9.8%	Volume growth in bag, headwear, and travel gear
2015	7.3%	Volume growth in all categories
2016	5.5%	Volume growth in travel gear and gloves; higher prices in gloves
2017	5.2%	Volume growth in travel gear; higher prices in all categories
FootJoy golf wear		
2014	7.2%	Growth in shoes and apparel
2015	5.8%	Volume increase in apparel; higher average selling prices in shoes and gloves
2016	3.6%	Volume growth in apparel and gloves
2017	2.0%	Volume growth in apparel; volume declines in footwear

Currency Headwinds

Segment revenue:

millions USD	2013	2014	2015	2016	2017
Titleist golf balls	552	544	535	514	512
Growth		-1.4%	-1.5%	-4.0%	-0.4%
Titleist golf clubs	396	422	388	431	398
Growth		6.7%	-8.1%	11.0%	-7.7%
Titleist golf gear	117	128	129	136	143
Growth		9.3%	1.2%	5.3%	4.9%
FootJoy golf wear	396	422	419	433	437
Growth		6.5%	-0.7%	3.4%	1.0%
Other	17	22	31	58	70
Total	1,477	1,538	1,503	1,572	1,560
Growth		4.1%	-2.3%	4.6%	-0.8%

Sales indexed to 2014	100.0%	97.7%	102.3%	101.5%
			CAGR	0.5%

Segment revenue - constant currency:

Titleist golf balls	-1.1%	3.2%	-3.7%	-0.1%
Titleist golf clubs	8.8%	-2.1%	9.8%	-6.9%
Titleist golf gear	9.8%	7.3%	5.5%	5.2%
FootJoy golf wear	7.2%	5.8%	3.6%	2.0%
Constant currency growth	5.0%	3.5%	4.5%	-0.2%

Sales indexed to 2014	100.0%	103.5%	108.2%	107.9%
			CAGR	2.6%

As you can see in the above table, the company has strong revenue growth in the last several years when you consider the performance on a constant currency basis. In fact, over the last three years, the difference in CAGR is 2.6% versus 0.5%.

Further looking into Acushnet's manufacturing locations (below tables), you can see that: While the company has a somewhat diversified base of manufacturing facilities, currencies have gone strongly against them recently, in a way that is difficult to imagine persisting.

We believe the market is extrapolating past currency headwinds: If we change the revenue growth in our model to 0.5% (the 2014-2017 headline CAGR), with margins held flat, the intrinsic value of the shares would be \$22.84, about 6% downside from the current price.

Portion of manufacturing (by square feet)

Golf Balls	
United States	67%
Thailand	33%

Golf Clubs	
United States	89%
Japan	11%

Apparel & gear	
China	67%
United States	19%
Thailand	14%

Source: company filings

COGS and SG&A

Acushnet has shown very stable pricing in recent years, and we expect this to continue. Additionally, with assembly, fastening, etc. accounting for the majority of the input cost, we expect gross margins to stay flat.

For SG&A, the company's operating margins are really just a product of its operating leverage. Meaning, when sales increase, margins expand; when sales decline, margins contract. We examined the relationship between segment revenue and segment operating income, and found a statistically significant strong relationship. Based on this statistical analysis¹, we projected the firm's operating margin in associated with the segment revenue growth. Below is our projection on the operating margin by segment.

Segment operating income & EBIT margin

millions USD	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Titleist golf balls	70	68	93	76	77	70	70	64	63	62	67	65	70	69	74
margin	12.7%	12.6%	17.3%	14.8%	15.0%	14.2%	14.2%	13.4%	13.4%	13.2%	13.8%	13.6%	14.3%	14.0%	14.7%
Titleist golf clubs	41	46	34	51	31	43	34	47	38	51	41	55	45	59	48
margin	10.3%	10.9%	8.7%	11.7%	7.8%	9.9%	8.4%	10.5%	9.0%	11.1%	9.7%	11.8%	10.3%	12.4%	10.9%
Titleist golf gear	15	16	12	12	17	15	16	16	17	17	17	18	18	18	18
margin	12.8%	12.9%	9.4%	8.9%	11.6%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
FootJoy golf wear	23	29	26	19	26	26	26	27	27	27	28	28	28	28	28
margin	5.8%	6.8%	6.2%	4.4%	6.0%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%
Other	N/A	(53)	(43)	(3)	16	16	16	16	16	16	16	16	16	16	16
Total	N/A	106	122	155	167	170	162	170	161	173	169	182	177	190	185
margin	N/A	6.9%	8.1%	9.9%	10.7%	10.7%	10.3%	10.5%	10.1%	10.6%	10.4%	10.9%	10.7%	11.2%	11.0%

For Titleist golf balls and Titleist golf clubs, we use this operating leverage relationship going forward to forecast operating margins, since they are on a two-year product cycle.

For Titleist golf gear and FootJoy products, we assume margins stay flat at the averages seen over the last few years. Given that we do not view these segments as having very strong competitive positions, we do not think margins should expand. But on the other hand, since these margins are below average for the space, we do not see a strong reason for competitors to drive them down.

Capital Expenditures

For 2018, we use management's guidance of increased CapEx, and subsequently grow CapEx at an inflationary rate (2%) going forward.

Depreciation & amortization flows through our model as a percentage of beginning PP&E.

¹ Detailed statistical analysis please see Appendix

Working Capital

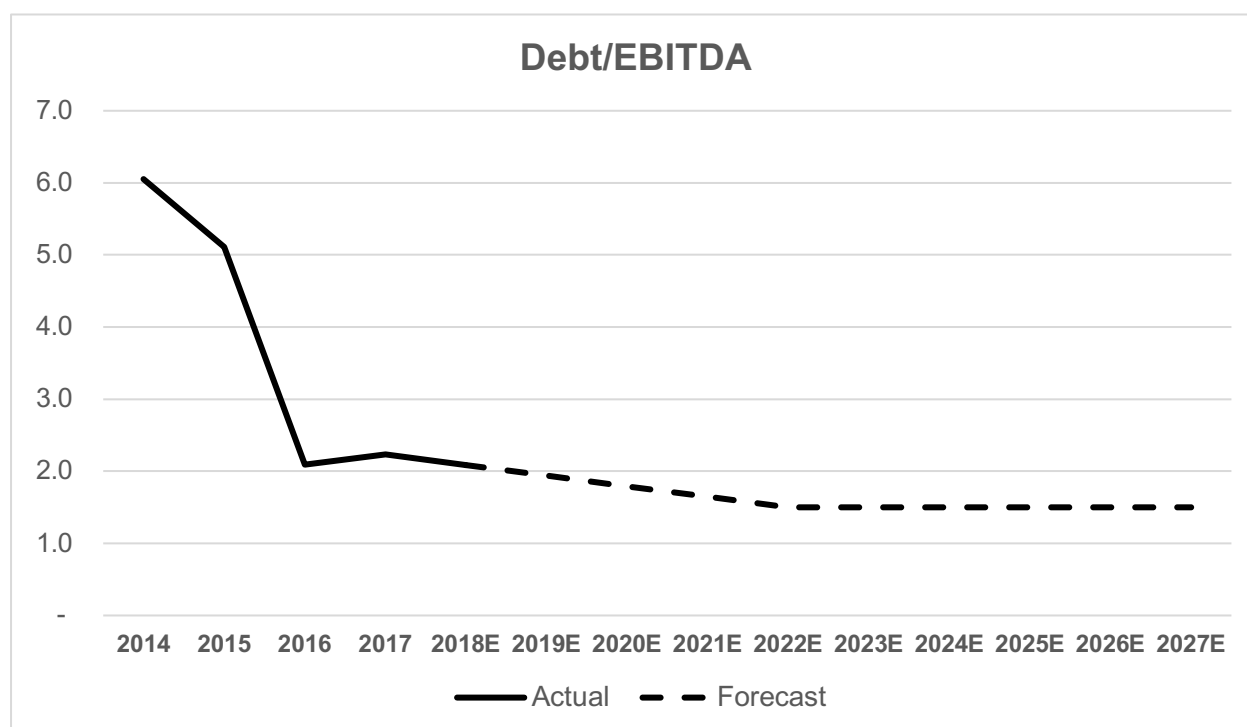
Non-cash current assets (accounts receivable, inventory, etc.) are forecasted as a flat percentage of revenue.

Non-debt current liabilities (accounts payable, etc.) are forecasted as a flat percentage of COGS. Short-term debt is held flat at a very low level. Thus as revenue grows, working capital grows proportionally, which acts as a small cash drag on the company.

Taxes

Management is guiding toward a 24% effective tax rate in 2018, and we model this rate staying constant going forward.

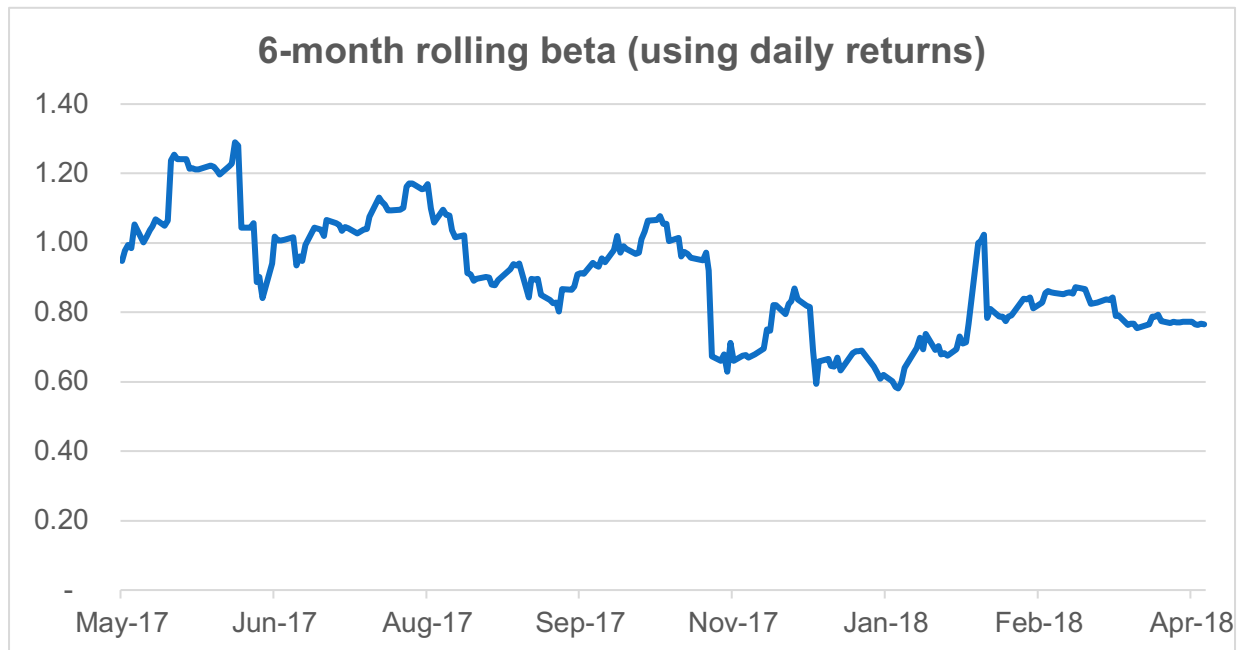
Leverage



In last quarter's earnings conference call, management said:
"Total debt outstanding at year end was approximately \$467 million reflecting about 2.1x LTM adjusted EBITDA. We'll continue to focus on reducing debt as we look to strengthen our balance sheet over the longer term."

That being said, we assume a gradual decline to 1.5x Debt/EBITDA over the next five years.

Beta



Acushnet has only been public for 17 months. So, we calculated beta using daily prices since IPO and used the average of 0.90.

Valuation

For the valuation, we use the APV method.

Variable	Input	Comment
Risk-free rate	2.15%	One-year Treasury note
Market risk premium	4.95%	Damodaran (NYU) risk premium updated April 1
Beta	0.90	Acushnet has only been public for 17 months; calculated beta using daily prices since IPO
Return on equity	6.61%	Applying CAPM to the above inputs
Return on debt	4.25%	Bloomberg data
Return on assets	6.20%	see below
Terminal growth rate	2.1%	From bottom-up analysis presented earlier in report
PV of unlevered cash flows	2,897	
PV of tax shield	61	Discount year 1 at risk-free rate; all future years discounted at rA as company keeps targets 1.5x Debt/EBITDA
Enterprise Value	2,958	
less Debt and Preferred Equity	370	
less Pension Liability	130	
plus Cash	48	
Estimated value of common equity	2,506	
Shares outstanding	74.7	
Estimated Value per share	33.55	
Current share price	24.17	
Upside (Downside)	39%	

rE = return on equity	6.61%	from CAPM above
rD = return on debt	4.25%	from Bloomberg
rA = return on assets	6.20%	applying formula below
D = market value of debt	370	used book value because bond prices are near par
E = market value of equity	1,802	as of April 27, 2018

$$rE = rA(1 + D/E) - rD(D/E)$$

$$rA(1 + D/E) = rE + rD(D/E)$$

$$rA = [rE + rD(D/E)] / (1 + D/E)$$

Conclusion

We recommend an **Overweight** in Acushnet Holdings.

With assumptions of a tough next few years for Titleist golf balls, the company still produces strong cash flows pointing to a deeply undervalued stock.

With its superior R&D and entrenched brands, Acushnet is an attractive company to own in the golf equipment space. We believe foreign currency – mainly the strong USD – has been a major detractor from strong underlying fundamentals, and may be a source of investor mispricing.

Appendix: Detailed financial model

<i>millions USD</i>	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Income Statement														
Revenue	1,538	1,503	1,572	1,560	1,595	1,578	1,611	1,591	1,635	1,626	1,668	1,654	1,693	1,676
COGS	(780)	(727)	(774)	(760)	(776)	(768)	(784)	(774)	(796)	(791)	(812)	(805)	(824)	(816)
Gross Profit	758	776	799	801	819	810	827	816	839	834	856	849	869	860
SG&A	(652)	(654)	(644)	(634)	(648)	(647)	(657)	(655)	(666)	(665)	(674)	(672)	(679)	(676)
Operating Income	106	122	155	167	170	162	170	161	173	169	182	177	190	185
Net interest expense	(62)	(86)	(52)	(15)	(17)	(16)	(14)	(13)	(12)	(11)	(11)	(12)	(11)	(12)
Pretax income	44	36	104	152	154	147	156	148	161	158	171	165	178	172
Income taxes	(39)	(48)	(71)	(60)	(37)	(35)	(37)	(35)	(39)	(38)	(41)	(40)	(43)	(41)
Net Income	5	(12)	33	93	117	112	118	112	123	120	130	126	135	131
Balance Sheet														
<i>Total Assets</i>														
Cash & Equivalents	48	54	76	48	98	96	119	103	127	148	174	165	184	172
Accounts Receivable	198	192	178	191	195	193	197	195	200	199	204	202	207	205
Inventory	291	326	323	364	372	368	376	371	381	379	389	386	395	391
Other short-term assets	100	98	88	85	86	85	87	86	89	88	90	90	92	91
Total Current Assets	637	672	665	687	752	742	779	755	797	814	857	842	878	859
PP&E, Net	267	255	240	229	224	220	218	217	217	217	219	220	223	225
Other long-term assets	859	833	832	811	811	811	811	811	811	811	811	811	811	811
Total Noncurrent Assets	1,126	1,088	1,072	1,040	1,035	1,032	1,029	1,028	1,028	1,029	1,030	1,032	1,034	1,036
Total Assets	1,763	1,759	1,736	1,727	1,787	1,774	1,809	1,783	1,825	1,842	1,887	1,874	1,912	1,895
<i>Liabilities & Shareholders' Equity</i>														
Accounts Payable	252	301	400	253	259	256	262	258	265	264	271	269	275	272
Short-term debt	81	442	61	47	47	47	47	47	47	47	47	47	47	47
Other short-term liabilities	14	13	1	6	6	6	6	6	6	6	6	6	6	6
Total Current Liabilities	347	756	462	307	312	310	315	312	319	317	324	322	328	326
Long-term debt	824	395	348	417	390	342	324	279	268	262	281	274	294	287
Other long-term liabilities	272	284	157	156	156	156	156	156	156	156	156	156	156	156
Total Noncurrent Liabilities	1,096	679	505	573	546	498	481	435	424	418	437	430	450	443
Total Liabilities	1,443	1,434	967	880	858	808	796	747	743	736	761	753	778	768
Total Equity	320	325	769	847	929	967	1,013	1,036	1,082	1,107	1,126	1,121	1,134	1,127
Total Liabilities & Equity	1,763	1,759	1,736	1,727	1,787	1,774	1,809	1,783	1,825	1,842	1,887	1,874	1,912	1,895
Cash Flow Statement														
<i>Cash from Operating Activities</i>														
Net income	5	(12)	33	93	117	112	118	112	123	120	130	126	135	131
Depreciation & Amortization	43	42	41	41	39	38	38	37	37	37	37	37	38	38
Change in working capital	(52)	(12)	140	(186)	(9)	4	(8)	5	(11)	2	(10)	3	(10)	4
Other non-cash items	57	74	(109)	26	-	-	-	-	-	-	-	-	-	-
Cash from Operating Activities	54	92	104	(27)	147	154	148	155	149	159	156	166	163	173
<i>Cash from Investing Activities</i>														
CapEx	(24)	(23)	(19)	(19)	(34)	(35)	(35)	(36)	(37)	(38)	(38)	(39)	(40)	(41)
Acquisitions and divestitures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other investing activities	0	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash from Investing Activities	(23)	(23)	(19)	(19)	(34)	(35)	(35)	(36)	(37)	(38)	(38)	(39)	(40)	(41)
<i>Cash from Financing Activities</i>														
Dividends	(14)	(14)	(17)	(36)	(36)	(74)	(72)	(89)	(77)	(95)	(111)	(130)	(123)	(138)
Debt issuance and payments	(46)	(77)	(68)	51	(27)	(48)	(17)	(45)	(11)	(6)	19	(6)	19	(7)
Equity issuance and repurchases	35	35	35	-	-	-	-	-	-	-	-	-	-	-
Other financing activities	(7)	(6)	(12)	2	-	-	-	-	-	-	-	-	-	-
Cash from Financing Activities	(33)	(62)	(63)	17	(63)	(122)	(89)	(134)	(88)	(101)	(92)	(137)	(104)	(145)
Net Changes in Cash	(2)	7	22	(28)	51	(2)	23	(16)	24	21	26	(9)	20	(12)

KEY INPUTS

<i>millions USD</i>	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Revenue growth		-2.3%	4.6%	-0.8%	2.2%	-1.1%	2.1%	-1.3%	2.8%	-0.6%	2.6%	-0.8%	2.4%	-1.0%
Gross Margin	49.3%	51.6%	50.8%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%	51.3%
EBIT Margin	6.9%	8.1%	9.9%	10.7%	10.7%	10.3%	10.5%	10.1%	10.6%	10.4%	10.9%	10.7%	11.2%	11.0%
EBIT	106	122	155	167	170	162	170	161	173	169	182	177	190	185
Taxes (excluding interest deduction)	(94)	(161)	(106)	(66)	(41)	(39)	(41)	(39)	(42)	(41)	(44)	(42)	(46)	(44)
NOPAT	13	(39)	49	101	130	123	129	122	132	129	138	135	144	140
D&A	43	42	41	41	39	38	38	37	37	37	37	37	38	38
CapEx	(24)	(23)	(19)	(19)	(34)	(35)	(35)	(36)	(37)	(38)	(38)	(39)	(40)	(41)
Increase in Non-cash working capital	(52)	(12)	140	(186)	(9)	4	(8)	5	(11)	2	(10)	3	(10)	4
Unlevered free cash flow	(19)	(32)	210	(63)	126	131	123	129	121	130	126	136	132	142
Year #					1	2	3	4	5	6	7	8	9	10
Discount factor					1.06	1.13	1.20	1.27	1.35	1.43	1.52	1.62	1.72	1.83
PV of unlevered cash flow					119	116	103	101	89	91	83	84	77	78
Tax shield					4	4	3	3	3	3	3	3	3	2.9
Discount factor					1.02	1.13	1.20	1.27	1.35	1.43	1.52	1.62	1.72	1.83
PV of tax shield					4	3	3	2	2	2	2	2	2	2
terminal growth of tax shield														1.96%
Tax rate	88%	132%	69%	39%	24%	24%	24%	24%	24%	24%	24%	24%	24%	24%
CapEx	(24)	(23)	(19)	(19)	(34)	(35)	(35)	(36)	(37)	(38)	(38)	(39)	(40)	(41)
EBITDA	150	164	196	208	210	201	207	198	210	206	219	214	227	223
Debt/EBITDA	6.05	5.11	2.09	2.23	2.09	1.94	1.79	1.65	1.50	1.50	1.50	1.50	1.50	1.50
Interest rate implied from financial statements		9.4%	6.2%	3.6%										

Appendix: Statistical Analysis on Operating Margin

Revenue Growth	Operating Margin Change
-8.1%	-2.2%
-7.7%	-3.9%
-4.0%	-2.4%
-1.5%	4.7%
-1.4%	-0.1%
-0.7%	-0.6%
-0.4%	0.2%
1.0%	1.6%
1.2%	-3.5%
3.4%	-1.8%
4.9%	2.7%
5.3%	-0.5%
6.5%	1.0%
6.7%	0.5%
9.3%	0.1%
11.0%	3.1%

SUMMARY OUTPUT - Operating Margin Change regressed on Revenue Growth

Regression Statistics	
Multiple R	0.500558264
R Square	0.250558576
Adjusted R Square	0.197027045
Standard Error	0.021314439
Observations	16

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	0.002126412	0.002126412	4.680579359	0.048289557
Residual	14	0.006360274	0.000454305		
Total	15	0.008486686			

Regression output - Operating Margin Change regressed on Revenue Growth

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-0.4%	0.005557938	-0.740948651	0.470970658	-0.016038738	0.007802444	-0.016038738	0.007802444
Revenue growth	21%	0.098890595	2.163464666	0.048	0.001847076	0.426045541	0.001847076	0.426045541

Data source: Company data, 2014 – 2017

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