Financial Model: Assumptions

All projection drivers. Blue = inputs. FY-3 to FY-1 = history; Years 1-5 projected.

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The statements and schedules all read from here.

SCENARIO | **Base** | *Shifts the 5 operating drivers (tune amounts in the Scenario Dial below).*

GROWTH & MARGIN

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue growth (%)	10.0%	10.0%	10.0%	10.0%	10.0%
Gross margin (%)	40.0%	40.0%	40.0%	40.0%	40.0%
Opex growth rate (%)	5.0%	5.0%	5.0%	5.0%	5.0%
CapEx (% of revenue)	6.0%	6.0%	6.0%	6.0%	6.0%
Tax rate	21.0%	21.0%	21.0%	21.0%	21.0%
Dividend payout ratio	30.0%	30.0%	30.0%	30.0%	30.0%

DEPRECIATION

Useful life of new CapEx (years)	10.0
Remaining life of existing PP&E (years)	10.0

WORKING CAPITAL

	Year 1	Year 2	Year 3	Year 4	Year 5
Days sales outstanding (AR), auto from history	*44.0*	*44.0*	*44.0*	*44.0*	*44.0*
Days inventory outstanding, auto from history	*54.8*	*54.8*	*54.8*	*54.8*	*54.8*
Days payable outstanding (AP), auto from history	*42.7*	*42.7*	*42.7*	*42.7*	*42.7*
Other current assets (% rev)	3.0%	3.0%	3.0%	3.0%	3.0%
Other current liabilities (% rev)	4.0%	4.0%	4.0%	4.0%	4.0%

FINANCING

	Year 1	Year 2	Year 3	Year 4	Year 5
Interest rate on debt	5.0%	5.0%	5.0%	5.0%	5.0%
Interest rate on cash	2.0%	2.0%	2.0%	2.0%	2.0%
Scheduled debt repayment	20	20	20	20	20

New debt drawdown	-	-	-	-	-
Equity issuance	-	-	-	-	-

OTHER

Shares outstanding (mm)	100

SCENARIO DIAL | shifts applied to the operating drivers (percentage points; working capital in days)

Driver	**Conservative**	**Base**	**Optimistic**	**Applied now**
Revenue growth	-3.0%	0.0%	3.0%	**0.0%**
Gross margin	-2.0%	0.0%	2.0%	**0.0%**
Opex growth	1.0%	0.0%	-1.0%	**0.0%**
CapEx (% rev)	1.0%	0.0%	-1.0%	**0.0%**
Working capital (DSO/DIO days)	5.0	0.0	-5.0	**0.0**

Income Statement

$ millions. FY-3 to FY-1 = history (blue inputs); Years 1-5 projected. D&A and interest come from the Schedules tab.

Income statement	FY-3	FY-2	FY-1	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	810	900	1,000	1,100	1,210	1,331	1,464	1,611
Product revenue	527	585	650	715	787	865	952	1,047
Services revenue	283	315	350	385	423	466	512	563
Cost of goods sold	490	542	600	660	726	799	878	966
Materials	270	298	330	363	400	439	483	532
Direct labour	147	163	180	198	218	240	264	290
Manufacturing overhead	73	81	90	99	109	119	131	144
Gross profit	**320**	**358**	**400**	**440**	**484**	**532**	**586**	**644**
Operating expenses	165	182	200	210	221	232	243	255
Sales & marketing	74	82	90	94	99	104	109	115
Research & development	41	46	50	53	55	58	61	64
General & administrative	50	54	60	63	66	69	73	77
EBITDA	**155**	**176**	**200**	**230**	**264**	**301**	**343**	**389**
Depreciation & amortisation	44	47	50	57	64	72	81	90
EBIT	**111**	**129**	**150**	**173**	**200**	**229**	**262**	**299**
Interest expense	21	21	20	20	19	18	17	16
Interest income	2	2	2	2	3	4	6	7
Earnings before tax	**92**	**110**	**132**	**155**	**183**	**215**	**250**	**290**
Income taxes	19	23	28	33	39	45	53	61
Net income	**72**	**87**	**104**	**123**	**145**	**170**	**198**	**229**
Dividends				37	43	51	59	69
Retained earnings (to BS)				86	101	119	138	160

Gross margin	*39.5%*	*39.8%*	*40.0%*	*40.0%*	*40.0%*	*40.0%*	*40.0%*	*40.0%*
EBITDA margin	*19.1%*	*19.6%*	*20.0%*	*20.9%*	*21.8%*	*22.6%*	*23.4%*	*24.2%*
Net margin	*8.9%*	*9.7%*	*10.4%*	*11.2%*	*12.0%*	*12.8%*	*13.5%*	*14.2%*

Balance Sheet

$ millions. Each historical year must balance (check row 31 = 0); PP&E and debt roll from the Schedules tab.

Balance sheet	FY-3	FY-2	FY-1	Year 1	Year 2	Year 3	Year 4	Year 5
Assets								
Cash & equivalents	85	91	100	143	201	276	370	485
Accounts receivable	97	110	120	133	146	161	177	194
Inventory	73	82	90	99	109	120	132	145
Other current assets	24	27	30	33	36	40	44	48
Total current assets	**279**	**310**	**340**	**408**	**493**	**597**	**723**	**873**
Property, plant & equipment, net	450	470	500	509	518	526	533	540
Goodwill & intangibles	60	60	60	60	60	60	60	60
Total assets	**789**	**840**	**900**	**977**	**1,071**	**1,183**	**1,316**	**1,473**
Liabilities								
Accounts payable	57	64	70	77	85	93	103	113
Other current liabilities	32	36	40	44	48	53	59	64
Total current liabilities	**89**	**100**	**110**	**121**	**133**	**147**	**161**	**178**
Long-term debt	420	410	400	380	360	340	320	300
Total liabilities	**509**	**510**	**510**	**501**	**493**	**487**	**481**	**478**
Equity								
Common equity / paid-in	200	200	200	200	200	200	200	200
Retained earnings	80	130	190	276	377	496	635	795
Total equity	**280**	**330**	**390**	**476**	**577**	**696**	**835**	**995**

Total liabilities & equity	**789**	**840**	**900**	**977**	**1,071**	**1,183**	**1,316**	**1,473**
Balance check (assets - L&E)	-	-	-	-	-	-	-	-

Cash Flow Statement

$ millions. Links net income, D&A, working-capital changes, CapEx and the debt schedule.

Cash flow statement	FY-3	FY-2	FY-1	Year 1	Year 2	Year 3	Year 4	Year 5
Operating activities								
Net income		87	104	123	145	170	198	229
Plus: depreciation & amortisation		47	50	57	64	72	81	90
Less: increase in accounts receivable		(13)	(10)	(13)	(13)	(15)	(16)	(18)
Less: increase in inventory		(9)	(8)	(9)	(10)	(11)	(12)	(13)
Less: increase in other current assets		(3)	(3)	(3)	(3)	(4)	(4)	(4)
Plus: increase in accounts payable		7	6	7	8	8	9	10
Plus: increase in other current liabilities		4	4	4	4	5	5	6
Cash from operations		**120**	**143**	**166**	**194**	**226**	**261**	**300**
Investing activities								
Capital expenditures		(67)	(80)	(66)	(73)	(80)	(88)	(97)
Cash from investing		**(67)**	**(80)**	**(66)**	**(73)**	**(80)**	**(88)**	**(97)**
Free cash flow (CFO less CapEx)		**53**	**63**	**100**	**122**	**146**	**173**	**204**
Financing activities								
Debt drawdown / (repayment)		(10)	(10)	(20)	(20)	(20)	(20)	(20)
Equity issuance		-	-	-	-	-	-	-
Dividends paid		-	-	(37)	(43)	(51)	(59)	(69)
Cash from financing		**(10)**	**(10)**	**(57)**	**(63)**	**(71)**	**(79)**	**(89)**
Net change in cash		**6**	**9**	**43**	**58**	**75**	**94**	**115**

Beginning cash	85	91	100	143	201	276	370
Ending cash	**91**	**100**	**143**	**201**	**276**	**370**	**485**

Supporting Schedules

CapEx & depreciation waterfall · debt schedule · working capital · integrity checks.

CAPEX & DEPRECIATION SCHEDULE

	FY-3	FY-2	FY-1	Year 1	Year 2	Year 3	Year 4	Year 5
CapEx			-	66	73	80	88	97
Opening net PP&E				500	509	518	526	533
Depreciation - existing PP&E				50	50	50	50	50
Depreciation - Year 1 CapEx				7	7	7	7	7
Depreciation - Year 2 CapEx				-	7	7	7	7
Depreciation - Year 3 CapEx				-	-	8	8	8
Depreciation - Year 4 CapEx				-	-	-	9	9
Depreciation - Year 5 CapEx				-	-	-	-	10
Total depreciation (to IS)				**57**	**64**	**72**	**81**	**90**
Closing net PP&E (to BS)				**509**	**518**	**526**	**533**	**540**

DEBT SCHEDULE

	FY-3	FY-2	FY-1	Year 1	Year 2	Year 3	Year 4	Year 5
Beginning debt				400	380	360	340	320
Less: scheduled repayment				20	20	20	20	20
Plus: new drawdown				-	-	-	-	-
Ending debt (to BS)				**380**	**360**	**340**	**320**	**300**
Interest expense (to IS)				20	19	18	17	16

WORKING CAPITAL SCHEDULE

	FY-3	FY-2	FY-1	Year 1	Year 2	Year 3	Year 4	Year 5
Accounts receivable			120	133	146	161	177	194
Inventory			90	99	109	120	132	145
Other current assets			30	33	36	40	44	48
Less: accounts payable			(70)	(77)	(85)	(93)	(103)	(113)

Less: other current liabilities	(40)	(44)	(48)	(53)	(59)	(64)
Net working capital	**130**	**144**	**158**	**174**	**191**	**210**
(Increase) / decrease in NWC		(14)	(14)	(16)	(17)	(19)

INTEGRITY CHECKS						
Balance sheet balances (0 = OK)	-	-	-	-	-	-
Ending cash >= 0		OK	OK	OK	OK	OK
Closing PP&E >= 0		OK	OK	OK	OK	OK

Overall model status	**MODEL OK**

Ratios & Analysis

Key metrics across the actual year and the five-year projection.

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Profitability	Actual	Year 1	Year 2	Year 3	Year 4	Year 5
Gross margin	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
EBITDA margin	20.0%	20.9%	21.8%	22.6%	23.4%	24.2%
Operating (EBIT) margin	15.0%	15.8%	16.5%	17.2%	17.9%	18.5%
Net margin	10.4%	11.2%	12.0%	12.8%	13.5%	14.2%
Return on assets (ROA)	11.6%	12.6%	13.5%	14.4%	15.0%	15.6%
Return on equity (ROE)	26.7%	25.8%	25.1%	24.4%	23.7%	23.0%
Return on invested capital	15.0%	16.0%	16.8%	17.5%	17.9%	18.2%
Liquidity						
Current ratio	3.1x	3.4x	3.7x	4.1x	4.5x	4.9x
Quick ratio	2.3x	2.5x	2.9x	3.3x	3.7x	4.1x
Cash ratio	0.9x	1.2x	1.5x	1.9x	2.3x	2.7x
Efficiency						
Days sales outstanding	43.8	44.0	44.0	44.0	44.0	44.0
Days inventory outstanding	54.8	54.8	54.8	54.8	54.8	54.8
Days payable outstanding	42.6	42.7	42.7	42.7	42.7	42.7
Cash conversion cycle (days)	56.0	56.1	56.1	56.1	56.1	56.1
Asset turnover	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x
Inventory turnover	6.7x	6.7x	6.7x	6.7x	6.7x	6.7x

Leverage & solvency

Debt / equity	1.0x	0.8x	0.6x	0.5x	0.4x	0.3x
Net debt	300	237	159	64	(50)	(185)
Debt / EBITDA	2.0x	1.7x	1.4x	1.1x	0.9x	0.8x
Interest coverage (EBIT / int.)	7.5x	8.7x	10.5x	12.7x	15.4x	18.7x
Equity multiplier	2.3x	2.1x	1.9x	1.7x	1.6x	1.5x
DuPont decomposition						
Net margin	10.4%	11.2%	12.0%	12.8%	13.5%	14.2%
x Asset turnover	1.1x	1.1x	1.1x	1.1x	1.1x	1.1x
x Equity multiplier	2.3x	2.1x	1.9x	1.7x	1.6x	1.5x
Return on equity (DuPont)	26.7%	25.8%	25.1%	24.4%	23.7%	23.0%
Per-share & cash flow						
Earnings per share (EPS)	$1.04	$1.23	$1.45	$1.70	$1.98	$2.29
Book value per share	$3.90	$4.76	$5.77	$6.96	$8.35	$9.95
Free cash flow (CFO - CapEx)	-	100	122	146	173	204
Free cash flow margin	-	9.1%	10.1%	11.0%	11.8%	12.6%

How to use this financial model

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What it is	A fully-integrated three-statement model with supporting schedules (CapEx & depreciation, debt, working capital), a ratios dashboard, and built-in integrity checks.
Step 1	On Assumptions, set growth, margins, tax, payout, asset lives, working-capital days, and financing (blue cells).
Step 2	On each statement, enter Year-0 (last actual) figures in the blue cells. Confirm the Balance Sheet balance check (row 31) reads 0.
Step 3	The Schedules tab builds D&A from a CapEx waterfall, rolls PP&E and debt, and shows working capital. The statements read from it automatically.
Step 4	Review the Cash Flow, the Ratios dashboard, and the Integrity Checks at the bottom of Schedules (Overall status should read MODEL OK).
Depreciation	New CapEx is depreciated straight-line over its useful life; Year-0 PP&E over its remaining life. Change either life on the Assumptions tab.
Debt	Set scheduled repayments and any new drawdowns per year; the schedule computes interest on the beginning balance (no circular references).
Colour key	Blue = inputs you fill in. Black = formulas - leave them alone.
Note	*Ships with a balanced example so it works out of the box. Replace blue cells with real figures. Educational use only; not investment advice.*