

**Cash is King?**

Loomis is a cash handling company primarily in the European and North American markets. The company has shown stable growth in revenues the last 10 years partly due to acquiring smaller competitors in the past years. The operating margins has shown to be quite stable. The earnings and reinvestments combined gives reason for stable cash flows in the future. The assessment of the major risks are a possible transfer from cash towards card handling though an effect of that transfer is not seen in the financial statements for the past years it is a possibility. If Loomis suddenly moves to acquire a much bigger company then the cash flows will also be affected.

The current stock price is 54% of the calculated intrinsic value implying a currently underpriced stock.

**The Assumptions**

	Base year	Next year	Years 2-5	Years 6-10	After year 10	Link to story
Revenues	27.354 SEK	9,0%	8,50%	8,00%	3,86%	Growth equal to company target and historical levels
Operating margin	10,87%	10,4%	10,35%	10,35%	10,35%	Margins set at historical levels
Taxes	26,24%	26,24%	26,24%		26,24%	Set at the effective tax rate
Reinvestment Rate (RIR)	66,77%	49,16%	51,31%	48,52%	43,57%	RIR expected at stable levels
Return on capital (ROC)	14,52%	15,07%	15,54%		8,86%	Stable levels for ROIC is expected
Cost of capital (COC)			5,09%		8,86%	Low COC similar to sector averages

**The Cash Flows**

	Revenues	Operating Margin	EBIT	EBIT (1-t)	Reinvestment	FCFF
1	29.816 SEK	10,35%	3.086 SEK	2.276 SEK	1.119 SEK	1.157 SEK
2	32.350 SEK	10,35%	3.348 SEK	2.470 SEK	1.267 SEK	1.202 SEK
3	35.100 SEK	10,35%	3.633 SEK	2.679 SEK	1.375 SEK	1.305 SEK
4	38.083 SEK	10,35%	3.942 SEK	2.907 SEK	1.492 SEK	1.415 SEK
5	41.321 SEK	10,35%	4.277 SEK	3.154 SEK	1.619 SEK	1.536 SEK
6	44.626 SEK	10,35%	4.619 SEK	3.407 SEK	1.653 SEK	1.754 SEK
7	48.196 SEK	10,35%	4.988 SEK	3.679 SEK	1.785 SEK	1.894 SEK
8	52.052 SEK	10,35%	5.387 SEK	3.974 SEK	1.928 SEK	2.046 SEK
9	56.216 SEK	10,35%	5.818 SEK	4.291 SEK	2.082 SEK	2.209 SEK
10	60.713 SEK	10,35%	6.284 SEK	4.635 SEK	2.249 SEK	2.386 SEK
Terminal year	63.057 SEK	10,35%	6.526 SEK	4.814 SEK	2.097 SEK	2.717 SEK

**The Value**

Terminal value	54.330 SEK	
PV(Terminal value)	29.738 SEK	
PV (CF over next 10 years)	12.215 SEK	
Value of operating assets	41.953 SEK	
Adjustment for distress	0 SEK	Probability of failure = 0,00%
- Debt & Minority Interests	11.716 SEK	
+ Cash & Other Non-operating assets	9.750 SEK	
Value of equity	39.987 SEK	
- Value of equity options	214 SEK	
+ Outstanding dividends	0 SEK	
Number of shares	71,07	
Value per share	559,62 SEK	Stock was trading at = 302,40 SEK