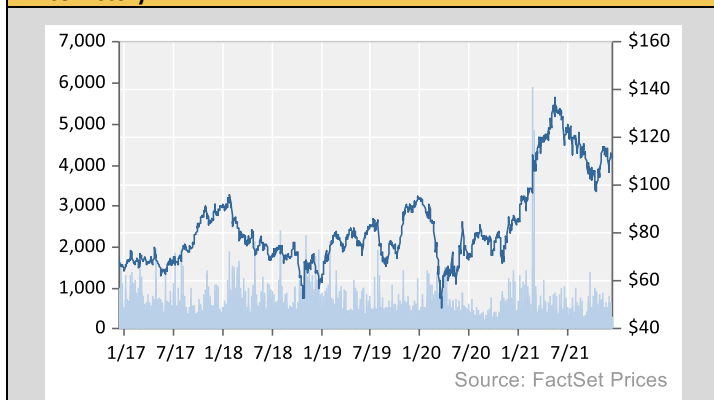


Recommendation: Hold

Current Price	\$104.23	---	Ticker	OSK
1 Year Bear	\$89.66	-16.0%	Sh. Out. (M)	67.5
1 Year Base	\$120.31	12.7%	M.Cap. (\$M)	7,436
1 Year Bull	\$180.65	29%	EV (\$M)	6,983

Price History

	5Y	3Y	2Y	LTM	YTD	3M	1M
Return	12.2%	21.6%	21.2%	30.1%	29.7%	5.3%	-4.9%

Financials

	2017	2018	2019	2020	2021	2022F	2023F
Sales(\$M)	6830	7706	8382	6857	7737	8613	9216
Gr. %	0.1%	12.8%	8.8%	-18.2%	12.8%	11.3%	7.0%
v. Cons.	-	-	-	-	-	-10.8%	34.2%
Industry	8.3%	13.0%	-4.9%	-16.7%	12.9%	13.5%	9.1%
EPS	\$4.78	\$6.85	\$7.46	\$5.15	\$6.83	\$6.71	\$8.72
Gr. %	28.5%	30.2%	8.2%	-44.9%	24.6%	-1.8%	23.1%
v. Cons.	-	-	-	-	-	-29.4%	41.7%
Industry	19.5%	29.8%	-2.9%	-51.2%	88.5%	14.0%	27.8%

Ratios

	2017	2018	2019	2020	2021	2022F	2023F
NPM	4.2%	6.1%	6.9%	4.7%	6.1%	5.3%	6.4%
Industry	4.4%	4.8%	5.2%	1.0%	4.6%		
ROE	15.3%	19.7%	19.4%	11.9%	15.5%	13.4%	15.5%
Industry	12.3%	17.3%	17.2%	0.4%	12.6%		
ROA	5.9%	9.1%	10.7%	5.6%	7.4%	6.7%	8.3%
Industry	5.9%	6.8%	6.4%	1.2%	4.8%		
A T/O	1.40	1.48	1.54	1.20	1.22	1.24	1.27
A/E	2.18	2.16	2.12	2.09	2.08	2.03	1.91

Valuation

	2017	2018	2019	2020	2021	2022F	2023F
P/E	21.9	11.3	12.6	16.6	19.9	21.4	12.5
Industry	23.2	9.4	8.3	74.5	13.9	12.3	8.7
P/S	0.92	0.69	0.64	0.74	0.92		
P/B	2.68	2.05	1.98	1.76	2.14		
P/CF	25.38	12.24	9.41	15.54	5.80		
V/EBITDAA	10.50	7.30	6.08	8.99	10.27		
D/P	22.3%	15.3%	13.2%	25.4%	19.3%		

Automotive, Arms Industry

Oshkosh Corporation

Summary

I recommend a neutral rating with a target of \$120. Although OSK has an opportunity to improve margins and raise sales, the next two years hold a lot of uncertainty. If the company makes it through 2023 with minimal losses or growth, I am confident it will see significant increases in growth going forward. OSK's growth will hinge on its continued R&D to remain competitive against larger competitors, and the success of its DoD segment expansion. The scenario analysis appears in line with my own opinions.

Key Drivers

- Commercial infrastructure: OSK's buyers of access equipment are companies in nonresidential construction, warehouses, and other industrial work. Access segment is expected to rise 17% in the next year.
- DoD contracts: Defense contracts are highly competitive and subject to change, but highly lucrative. OSK's defense segment made 35% of sales in 2020 and has been more stable than the cyclical access segment.
- Competition: OSK has competitors in many different industries but primarily in access equipment and defense. The firm competes with access equipment competitors through superior technology and supply chains. In defense contracts, OSK has a long history with the DoD and is well known for its production of Mine-Resistant Ambush Protected (MRAP) heavy-duty tactical vehicles.

Valuation

Using a relative valuation approach, Oshkosh Corp. appears to be overvalued in comparison to its competitors. DCF analysis implies that the stock is worth \$131. Using a combination of approaches suggests that Oshkosh is fairly valued, as the stock's value is about \$120 and the shares trade at \$104.

Risks

- Long-term impacts of Covid-19 regulations
- Defense contract uncertainties
- Highly cyclical markets

Company Overview

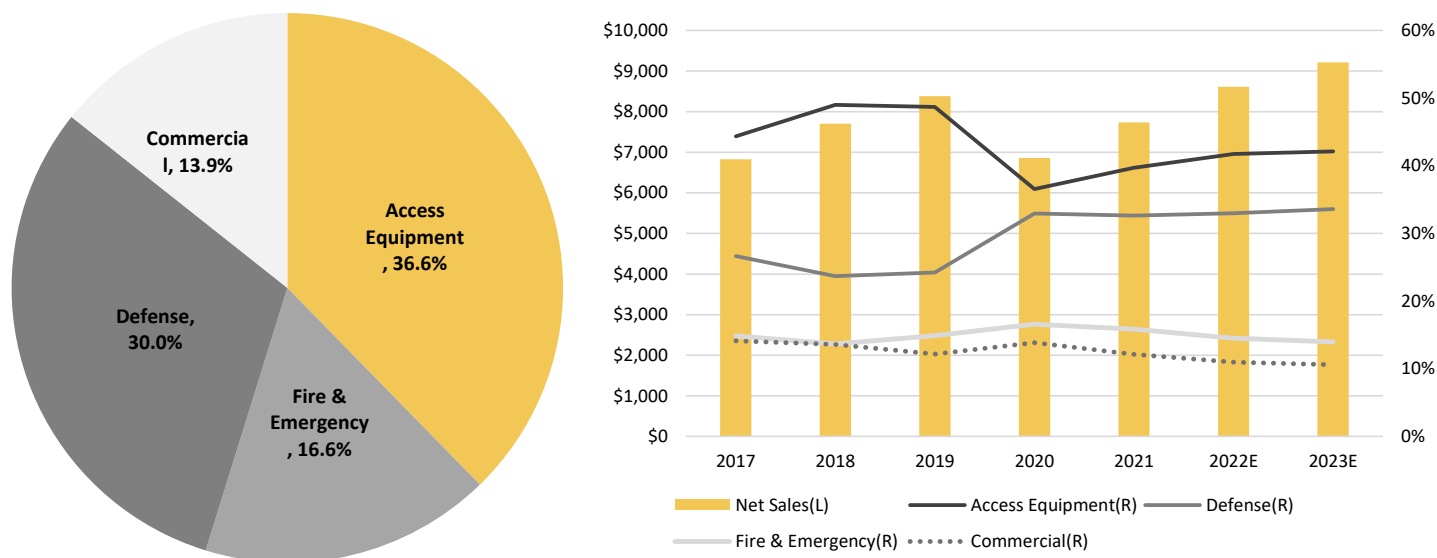
Oshkosh Corporation is a leading designer and manufacturer of access equipment, specialty vehicles and truck bodies which includes defense, fire & emergency, refuse hauling, concrete placement, and airport services. The many products of Oshkosh's leading brands serve several industries providing the firm with efficiencies in its supply chain, manufacturing processes, and cross portfolio innovation. The Company's logistical and operational effectiveness is the key to its superiority as a global industrial manufacturer. In 2020, 35.0% of net sales were to the U.S. government. Of which, a majority are under multi-year contracts and programs with the Department of Defense (DoD) for tactical vehicles. Oshkosh Corp. operates in six U.S. states, Romania, China, France, Australia, United Kingdom, Mexico, and Canada. Oshkosh Corporation is headquartered in Oshkosh, Wisconsin.

Oshkosh Corporation comprises ten brands. For financial reporting purposes, they maintain four reportable segments:

Growth is affected by cyclical markets except the defense segment which was approx. 35% of net sales in fiscal year 2020.

- 1) **Access Equipment (36.6% of sales):** JLG, a subsidiary of Oshkosh, produces aerial work platforms, telehandlers (forklifts), and tow trucks (wreckers). The equipment is often sold to rental companies, construction contractors, and home improvement centers.
- 2) **Defense (30.0% of sales):** Designed, manufactured, and sold military tactical wheeled vehicles to the DoD for more than 90 years. OSK is the DoD's leading supplier of severe-duty, heavy- and medium-payload tactical trucks. The vehicles perform demanding tasks for hauling tanks, missile systems, ammunition, fuel, and troops. In 2020, during the global pandemic, defense showed 11.3% growth while the other three segments were negative because government budgets are not affected by economic changes.
- 3) **Fire & Emergency (16.6% of sales):** Custom and commercial firefighting vehicles, aircraft rescue and firefighting vehicles (ARFF), snow removal and other emergency vehicles primarily sold to fire departments, airports, and other governmental bodies.
- 4) **Commercial (13.9% of sales):** OSK designs and manufactures refuse collection vehicles, concrete mixing vehicles, and truck mounted cranes that are primarily sold to commercial and municipal waste collectors, mining, and construction companies.

Figures 1 & 2: Revenue by segment in 2020 (left) and total revenue (in millions) & YoY revenue growth since 2016 (right)



Source: Company reports

Business/Industry Drivers

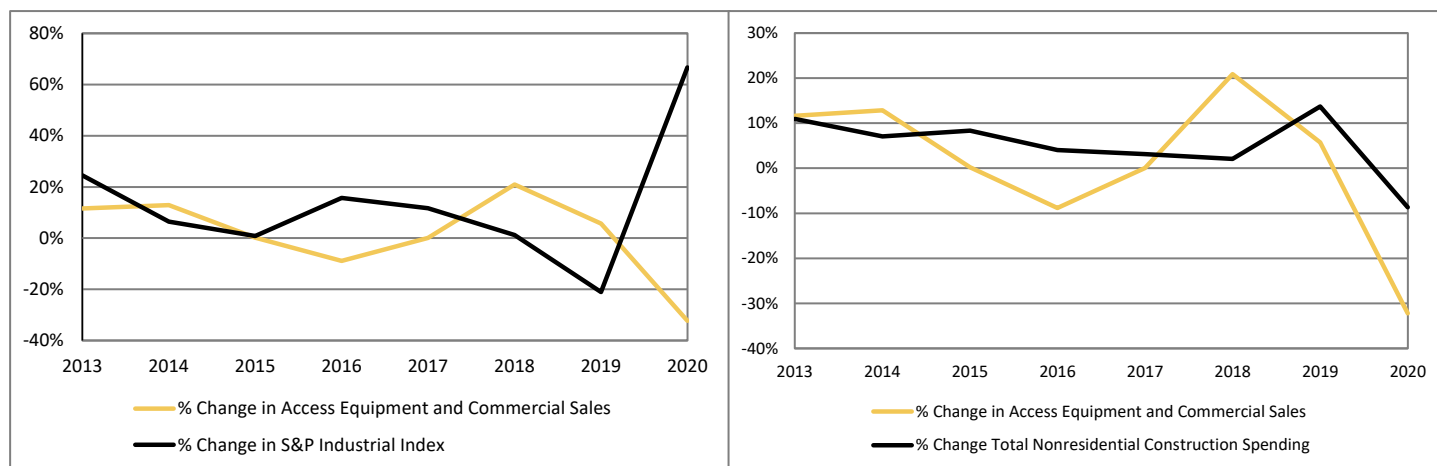
Though several factors may contribute to Oshkosh Corporation’s future success, the following are the most important business drivers:

- 1) Commercial Infrastructure
- 2) DoD Contracts
- 3) Competitor Analysis
- 4) Macroeconomic Trend

Commercial Infrastructure

Industrial companies drive demand for construction access equipment, commercial concrete products, and commercial refuse vehicles. These segments correlate directly with nonresidential construction and new home sales. Between 2014 and 2017 they appear to run inversely with the industrial index (figure 3), but the index may have gotten a boost from oil prices followed by a drop in 2016.

Figures 3 and 4: Percent change in access equipment and commercial sales compared to percent change in S&P Industrial Sector index (left), and percentage change in access equipment and commercial sales (left axis) compared to the percentage change in total nonresidential construction spending (right axis) (right)



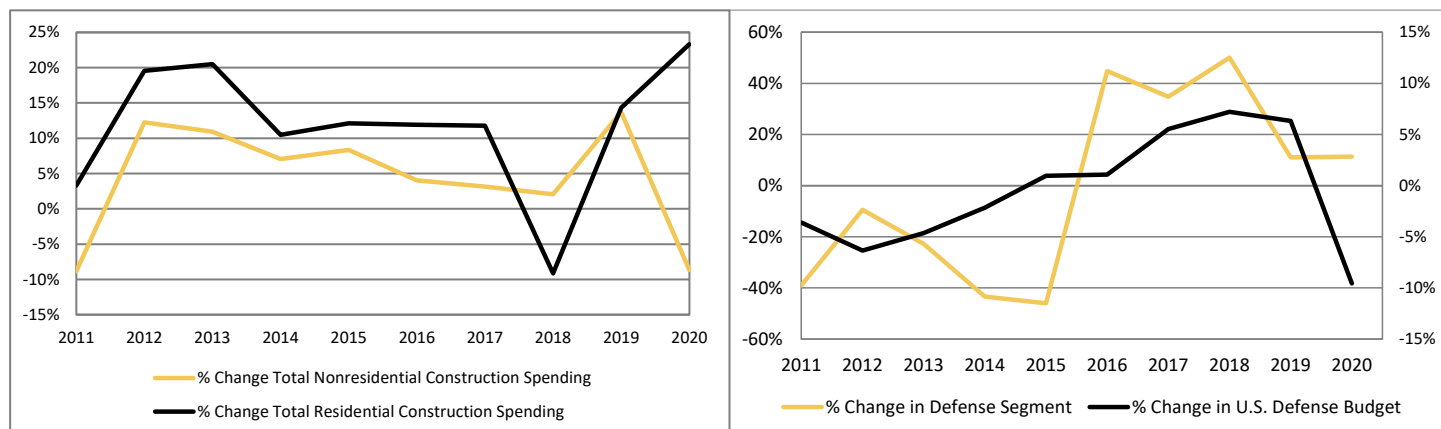
Source: FactSet, WSJ Markets

Access equipment sales are up 89.4% in Q3 2021 compared to Q3 2020.

As the graphs indicate, OSK’s sales has a close relationship with the industrial index (left) and even more so with nonresidential construction (right). From 2019 to 2020, OSK saw a roughly 30% drop in sales from access equipment and commercial sales. The impacts of Covid-19 affected sales growth in two main ways. Rental companies slowed down or stopped their fleet growth and replacements, and there was a reduction in demand for future nonresidential construction. More recently, disruptions in supply-chains have impacted OSK’s access equipment sales by nearly \$100M in revenue. Despite these hurdles, access equipment and commercial sales are up 89.4% and 12.3% respectively in the third quarter of 2021 compared to 2020. As supply-chains catch up and the prices of raw materials, such as steel, begin to normalize OSK should expect higher sales and profits in the near future. Construction companies are purchasing new and replacing old equipment during this rise in construction.

Going forward, OSK should experience higher growth as President Biden’s massive infrastructure plan comes to fruition. The Senate passed the \$1 trillion spending plan which targets many struggling or underdeveloped communities around the country. One of the major priorities is to build or update more than two million commercial and public buildings.

Figures 5 and 6: Percent change in total nonresidential and residential construction (left), Percent change in defense segment over percent change in U.S. defense budget (right)



Source: US Census Bureau, FactSet

DoD Contracts

A substantial amount of the 33% was from other multi-year contracts.

This is a big milestone for OSK as it marks the company's entrance into the combat vehicles market.

Oshkosh Corp's success over the years has relied heavily on Department of Defense (DoD) contracts and sales and closely follow DoD spending as seen in figure 6. OSK has been fulfilling contracts for the DoD for over 90 years and it averages about 35% of its sales over the last two decades. In 2009, Oshkosh Defense was awarded a \$450M five-year contract for the production of up to 23,000 vehicles and trailers. This led to a 25% increase in revenue that leveled out over the following years with the help of other smaller contracts. In 2016, OSK won a contract for \$433M (32% of sales); however, there have been contractual issues that prevented this order from being completely fulfilled.

Although the defense segment has remained fairly level over the past seven years, it would not be surprising to see high growth in the coming years. President Biden's Afghanistan withdrawal left a staggering amount of U.S. military equipment behind. Roughly 75K ground vehicles are reported to be left behind. Whatever the reason for this possible misstep, OSK is looking to the future. Just this year, it was awarded a nearly \$1B contract for army tanks over the next six years. The company will be partnering with Rafael Advanced Defense Systems to integrate a 30MM Medium Caliber Weapon System (MCWS) onto the Stryker Double V Hull Infantry Carrier Vehicle (ICVVA1).

Competitor Analysis

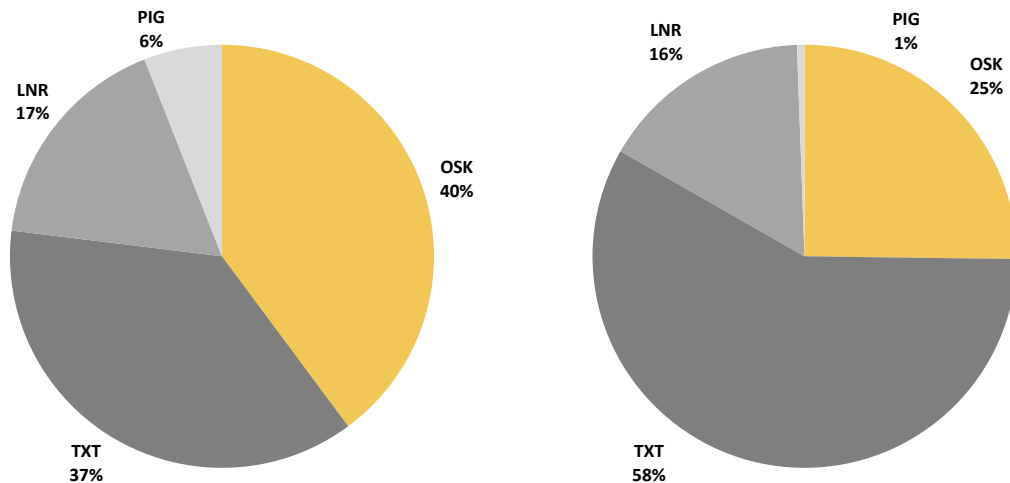
Oshkosh Corp is a leader in innovation and product development. Its competition varies from large well-established companies to various small, specialized producers. The firm primarily competes in the U.S. with only 11% of sales international, but it does compete with foreign imports. OSK's competitive strengths include a well-established brand name, flexible product offerings, superior quality, and customer-focused product support.

In access equipment/service vehicles/emergency vehicles, OSK competes with various large and small companies. Genie (a subsidiary of Terex), Skyjack (a subsidiary of Linamar), and Haulotte Group are OSK's biggest competitors.

OSK generated about 40% of access equipment sales between itself and its leading competitors in 2019

Terex has 58% of its sales in the U.S., Linamar has 61%, and Haulotte Group, a French company, has 21.2%. Despite Haulotte Group only having 21.2% of sales in America, it is a strong competitor because it specializes in the same selection of access equipment as OSK. Oshkosh Corp sells lifts, booms, telehandlers, and stock/order pickers. 89% of OSK’s sales are in the U.S. while the remaining 11% is split between Europe, Asia, and Africa. OSK comprised over 40% of access equipment sales between itself and its leading competitors in 2019.

Figure 7 & 8: Industry concentration by access equipment sales (left) vs market cap (right)



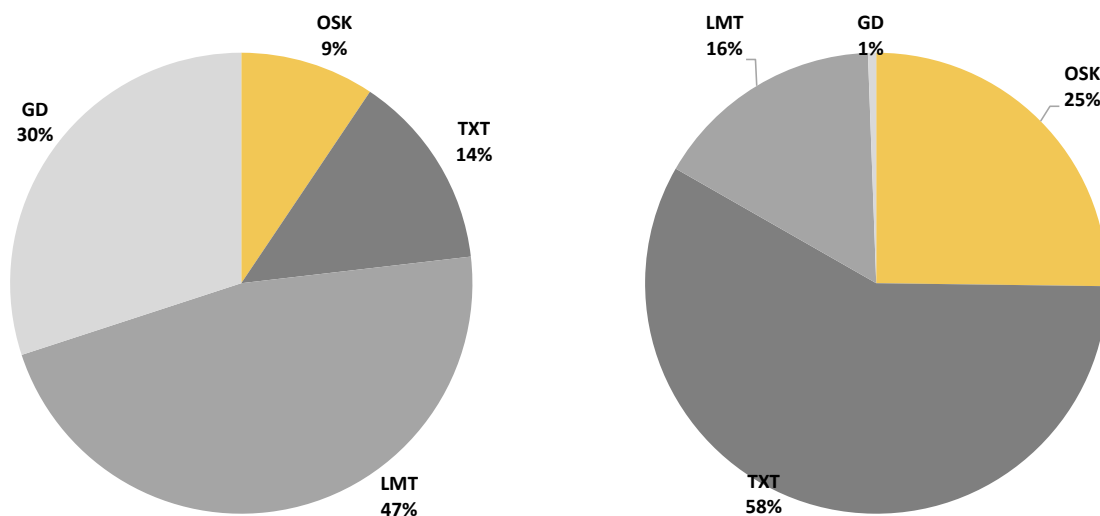
Source: FactSet

One of OSK’s largest competitors, Navistar Defense, recently sold 70% of its ownership interest

Oshkosh Defense sells directly to the DoD via contracts and maintains a liaison office in Washington D.C. Each year the DoD has a finite budget and each of the competitors fight for a piece of it. To set itself apart from the herd, OSK has established advanced logistics and productions processes to create an advantage in bidding wars along with its long-standing relationship with the DoD. Products offered include the well known Mine Resistant Ambush Protected (MRAP) vehicle, heavy- and medium-troop transport vehicles, and various access/fire/emergency vehicles.

Per OSK’s 2020 10-K, top defense segment competitors include Mercedes-Benz (a subsidiary of Daimler) which produces heavy- to medium- transport vehicles, Navistar which sold the greater majority of its defense business after legal issues late 2019, General Dynamics Corp which produces a wide variety of military platforms and technologies, and Lockheed Martin Corp.

Figure 9 & 10: Industry concentration by defense sales (left) vs market cap (right)

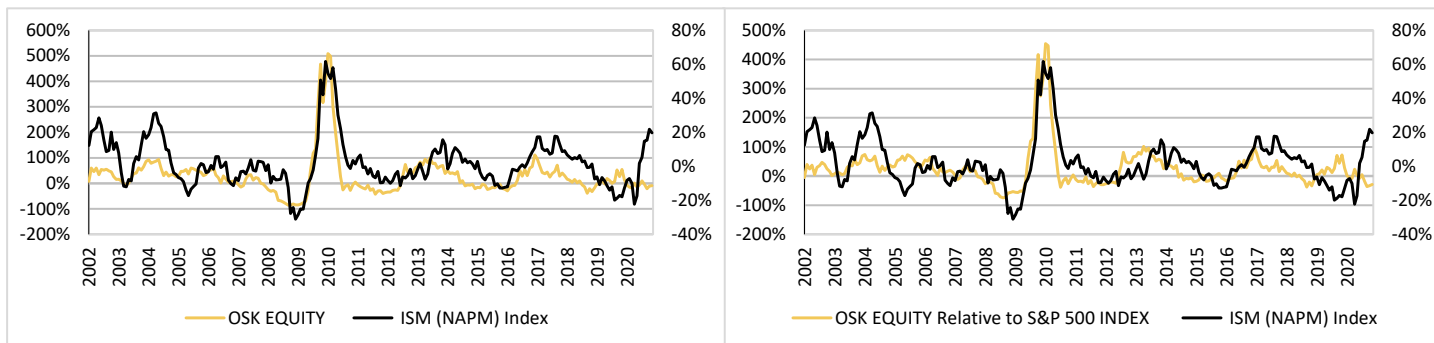


Source: FactSet

Macroeconomic Trends

Each of OSK’s product segments are cyclical in nature and positively correlate, on both an absolute and relative basis, to the ISM NAPM index. This is despite OSK’s defense segment as it is not fully driven on the economy. The defense segments growth is more dependent on DoD needs and OSK’s ability to perform.

Figures 11 & 12: OSK compared to the ISM (NAPM) index (left) and OSK competitors compared to the ISM (NAPM) index

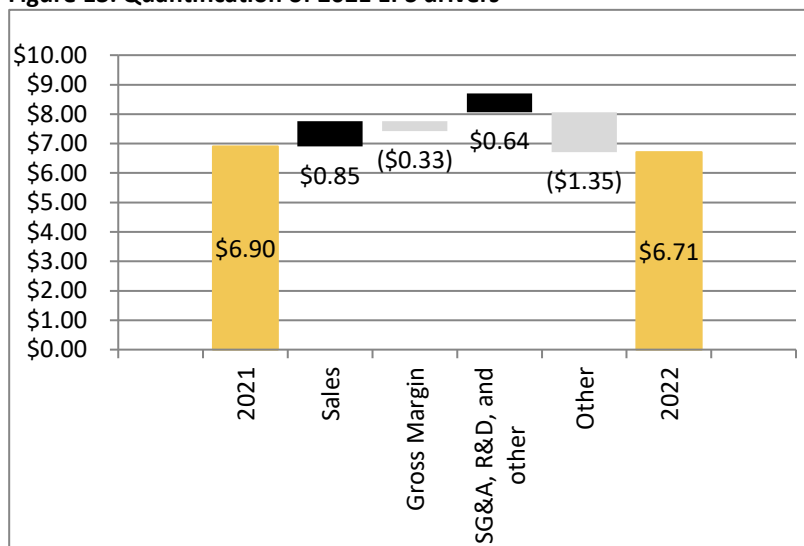


Source: Bloomberg, IMCP

Financial Analysis

I anticipate EPS to decrease to \$6.71 in FY 2022 from \$6.90 in FY 2021. Increasing revenues in access, defense, fire and emergency and commercial segments should increase earnings by \$0.85. Despite increased sales, the cost of goods sold are higher which decreases gross margin, driving down EPS by \$0.33. I expect lower SG&A as a percentage of sales will increase EPS \$0.64 as OSK continues development of new products that it could sell to federal and state agencies. The effective tax rate for 2021 was significantly lower than average, which contributes to “other” having a -\$1.35 impact on EPS for 2022.

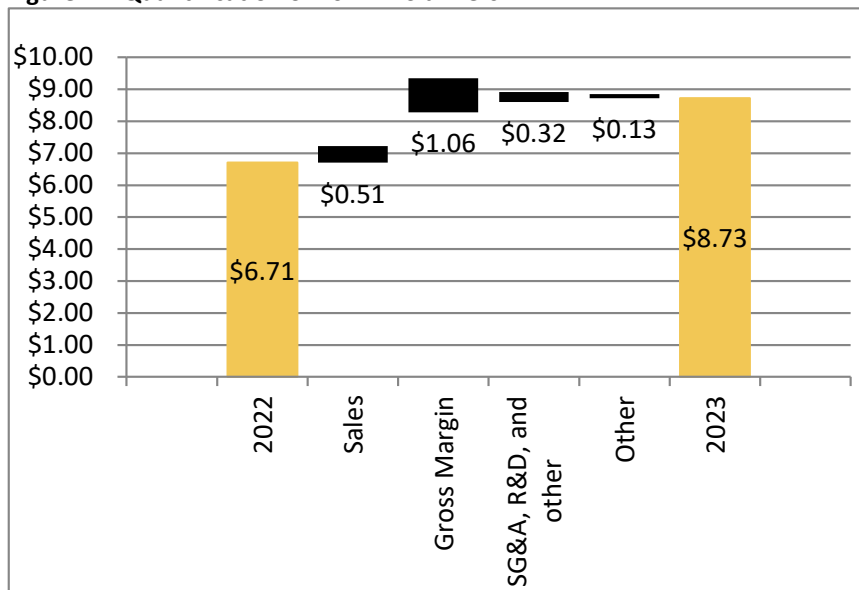
Figure 13: Quantification of 2021 EPS drivers



Source: Company Reports, IMCP

I anticipate EPS to grow to \$8.72 in FY 2023. Rising revenues in access, defense, fire and emergency and commercial segments should increase earnings by \$0.51. As the economy corrects back to normal, I expect lower cost of goods sold and an increase in construction resulting in increased earnings from gross margin of \$1.06. I expect that EBIT margin will further increase EPS \$0.32 as OSK slows R&D with the realization of its large defense contract. EPS rises \$0.12 from a small share repurchase leaving a net increase in EPS of \$1.01 for the year.

Figure 14: Quantification of 2022 EPS drivers



Source: Company Reports, IMCP

Growth in 2021 was 3.6% (\$430M) higher than average estimates. I expect this trend to continue through 2020.

I am more optimistic about 2022 EPS growth. However, I am less optimistic for growth in 2023 than consensus EPS estimates. I anticipate continued growth for defense, fire and emergency, and commercial. In 2022, while consensus expects sales to decline, I anticipate industrial growth leading to higher access equipment sales. Growth in 2021 was higher than estimated which contributes to my higher expectations.

Figure 15: Sales and EPS estimates for FY '22 and '23

	2022E	2023E
Revenue	\$8,613	\$9,216
YoY Growth	11%	7%
Revenue-Consensus	\$6,659	\$8,937
YoY Growth	-6%	34%
EPS	\$6.71	\$8.72
YoY Growth	-3%	15%
EPS-Consensus	\$5.28	\$9.05
YoY Growth	-6%	65%

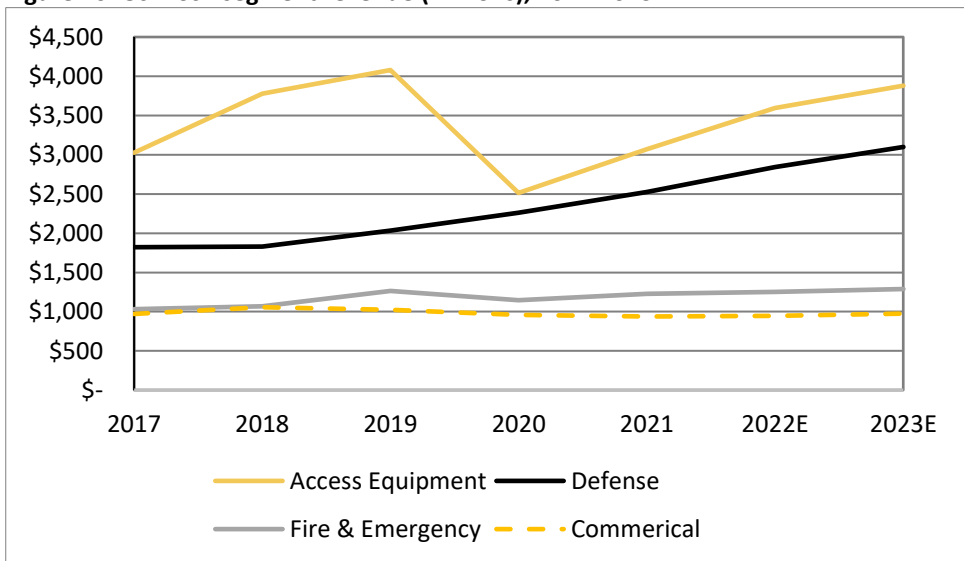
Source: Factset, IMCP

Revenues

Oshkosh Corporation’s revenue rose from 2017 to 2019, but naturally dropped with the raise of COVID-19. It slightly recovered over the last year. OSK’s sales from defense contracts helped minimize losses. OSK’s fire and emergency and commercial segments will continue to see low but normal growth. Most importantly, I expect that the access equipment segment’s growth to increase due to a recovering economy and possible infrastructure spending. OSK’s global reach has been stymied and continues to trend downward.

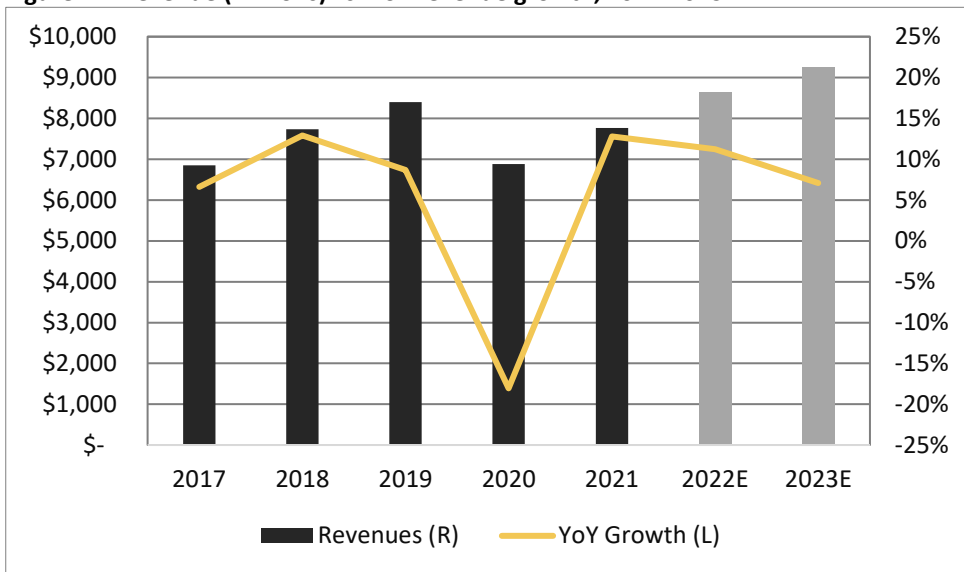
Figure 16: Oshkosh segment revenue (millions), 2017-2023E

Increases in revenue climbing back toward pre-Covid levels



Source: Company Reports, IMCP

Figure 17: Revenue (millions) vs. YoY revenue growth, 2017-2023E

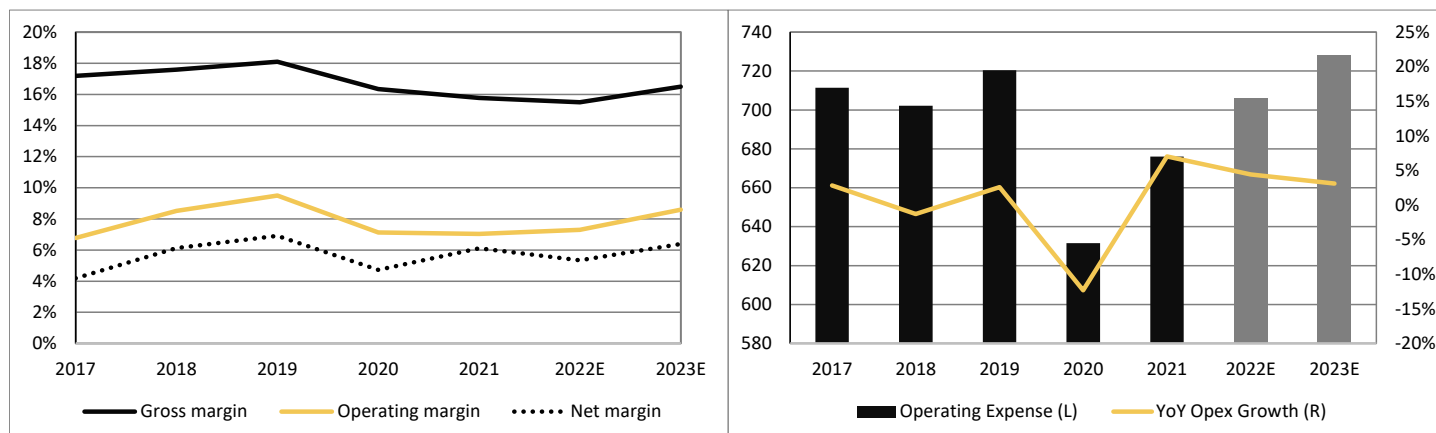


Source: Company Reports

Operating Income and Margins

The selling, general and administrative expense makes up roughly 99% of operating expenses. I expect operating expenses to grow in 2022 and to carry through in 2023. I expect this in part from OSK’s efforts to restrengthen its defense segment.

Figures 18 & 19: Income margins (left) vs YoY operating expense growth (right)



Source: Company Reports

OSK had relatively stable gross margins over the years leading up to Covid-19, but it has been low since it's onset. EBIT margin has picked back up to pre-Covid levels. As the country has slowly continued to open up, operating margins have held steady growth. By fiscal year 2023, I expect operating margins to increase to 8.6, near the high of 9.5% in 2021.

Expected increase in growth margin and operating margins.

Figure 20: OSK operating margins, 2013 – 2016E

	2020	2021	2022E	2023E
Sales	\$6,857	\$7,737	\$8,613	\$9,216
Costs of goods sold	\$5,737	\$6,517	\$7,278	\$7,695
Gross income	\$1,120	\$1,221	\$1,335	\$1,521
<i>Gross margin</i>	16.3%	15.8%	15.5%	16.5%
Operating expense	\$632	\$676	\$706	\$728
<i>Growth</i>	-12.3%	7.0%	4.5%	3.1%
Operating income	\$489	\$545	\$629	\$793
<i>Operating margin</i>	7.1%	7.0%	7.3%	8.6%

Source: Company Reports

Return on Equity

In 2019, ROE peaked at 22.75. Through 2021, it has fallen to 15.55 as margins and asset turns have declined. Despite a 10 million share buyback program, leverage has also modestly declined. Going forward through 2023, I expect ROE to be stable. While margins and asset turns should rise, leverage is expected to decline.

Figure 21: ROE breakdown, 2018 – 2023E

3-Stage DuPont	2018	2019	2020	2021	2022E	2023E
Net income / sales	6.1%	6.9%	4.7%	6.1%	5.3%	6.4%
Sales / avg assets	1.48	1.54	1.20	1.22	1.24	1.27
ROA	9.1%	10.7%	5.7%	7.4%	6.6%	8.1%
Avg assets / avg equity	2.16	2.12	2.09	2.08	2.03	1.91
ROE	19.6%	22.7%	11.9%	15.5%	13.4%	15.5%

Source: Company Reports

Free Cash Flow**Figure 22: Free cash flow calculations**

Free Cash Flow							
	2017	2018	2019	2020	2021	2022E	2023E
NOPAT	\$320	\$519	\$615	\$363	\$517	\$497	\$626
<i>Growth</i>		62.4%	18.4%	-41.0%	42.4%	-4.0%	26.1%
NWC*	1,237	1,401	1,525	1,718	1,247	1,722	1,704
Net fixed assets	2,059	2,024	2,158	2,280	2,474	2,743	2,671
Total net operating capital*	\$3,296	\$3,425	\$3,683	\$3,998	\$3,721	\$4,465	\$4,376
<i>Growth</i>		3.9%	7.5%	8.6%	-6.9%	20.0%	-2.0%
- Change in NWC*		164	124	193	(471)	475	(18)
- Change in NFA		(35)	134	122	194	269	(72)
FCFF*		\$390	\$357	\$48	\$794	(\$247)	\$716
<i>Growth</i>			-8.4%	-86.5%	1549.4%	-131.1%	-389.5%
- After-tax interest expense	36	49	36	37	44	37	37
FCFE**		\$341	\$321	\$11	\$750	(\$284)	\$678
<i>Growth</i>			-5.8%	-96.5%	6536.3%	-137.9%	-338.8%
+ Net new debt/other cap		(13)	1	4	(4)	6	(2)
Sources of cash		\$328	\$322	\$15	\$746	(\$278)	\$676
FCFF per share *		\$5.27	\$5.12	\$0.71	\$11.60	(\$3.61)	\$10.59
<i>Growth</i>			-2.9%	-86.2%	1539.8%	-131.1%	-393.6%
FCFE per share**		\$4.61	\$4.60	\$0.17	\$10.95	(\$4.15)	\$10.04
<i>Growth</i>			-0.1%	-96.4%	6497.5%	-137.9%	-342.1%

Source: Company Reports, IMCP

OSK's free cash flow has varied significantly over the last couple of years. Before Covid, FCFF was running at about \$400 million. Then it fell to \$48 million in 2020 as NOPAT declined. 2021 rose to about \$800 million as NOPAT rebounded but the firm shrank net working capital. In 2022, I expect NWC to normalize and NOPAT to be flat, so FCFF goes negative. 2023 is expected to rise to above \$200 million due to a rise in NOPAT but no asset growth. Overall, the firm will have about \$500 million in the next two years for interest, dividends, and share buybacks. The company paid about \$90 million in dividends in 2021 with about 10% annual growth. OSK also approved a stock repurchase program in 2019 up to 10M shares. As of September 2021, the firm has repurchased about 3.6M of the 10M shares totaling \$531M

Valuation

The NTM P/E is equal to the five-year average at 16.7.

OSK was valued using multiples and a 3-stage discounting cash flow model. Based on earnings multiples, the stock price is relatively accurate and is worth \$131. Relative valuation shows OSK to be slightly overvalued based on its fundamentals versus those of its competitors. Price to book valuation yielded a price of \$81. A detailed DCF analysis values OSK higher, at \$120. As a result of these valuations, I value the stock at \$125.

Trading History

OSK is recovering from its 10-year low relative to the S&P 500. This is the result of increased earnings and economic recovery. OSK's current NTM P/E is at 16.7 which is the same as the five-year average. I expect the P/E to remain stable in the short term, but in the long-term it will rise above the 2021 P/E of 19.57.

Figure 23: OSK LTM P/E relative to S&P 500



Source: FactSet

Discounted P/E x EPS = 131.31

Current price = 104.23

Assuming the firm maintains a 16.7 NTM P/E at the end of 2022, it should trade at \$115.23 by the end of the year:

- Price = P/E x EPS = 16.7 x \$8.72 = \$145.62

Discounting \$145.62 back to today at a 10.9% cost of equity (explained in Discounted Cash Flow section) yields a price of \$131.31. This implies that it is undervalued if I use an optimistic P/E.

Relative Valuation

Oshkosh Corporation is currently trading at a P/E above the average and median of its peers, with a P/E TTM of 15.9 compared to an average of 14.2 and a median of 15.9. Investors have been open to paying a greater premium for OSK as both its access equipment and defense segment have a strong and established history. OSK's P/B is above average of its competitors and its P/S ratio is as well. Yet OSK's ROE and net profit margin are at about the median.

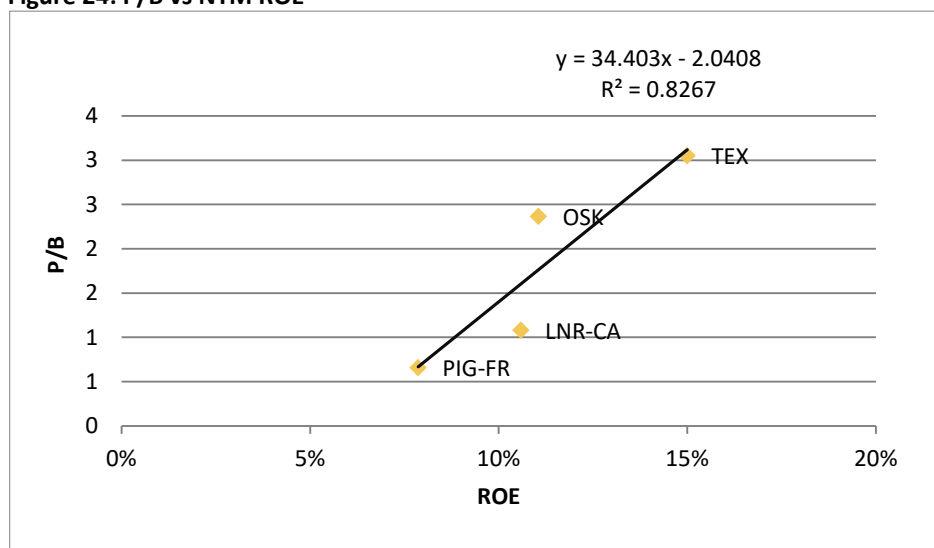
A more thorough analysis of P/B and ROE is shown in figure 24. The calculated R-squared of the regression indicates that over 82% of a firm’s P/B is explained by its 2021 ROE. OSK has an average P/B. According to this, OSK is just slightly overvalued. I believe that this regression is somewhat accurate. Terex’s ROE was adjusted for strong Covid related abnormalities and reflects a five-year average.

- Estimated P/B = Estimated 2022 ROE (10.9%) x 34.403 - (2.0408) = 1.7091
- Target Price = Estimated P/B (1.7091) x 2022E BVPS (52.67) = \$90.02

Discounting back to the present at a 10.9% cost of equity leads to a target price of \$81.17 using this metric.

OSK is trading at a premium P/B that is not justified by its ROE.

Figure 24: P/B vs NTM ROE



Source: Factset

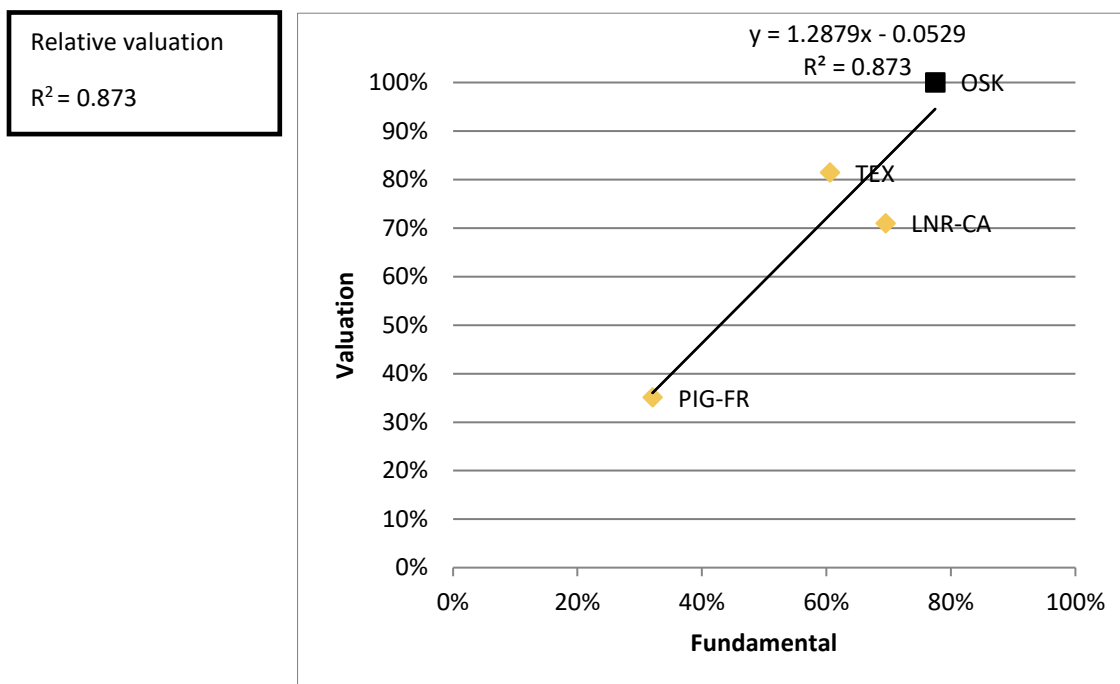
For a final comparison, I created a composite ranking of several valuation and fundamental metrics. Since the variables have different scales, each was converted to a percentile before calculating the composite score. The fundamental variables include 2023E earnings growth, NTM ROE, NPM, and STM compared to sales growth, and this was a composite of 2021 and 2022 P/E and P/S. This gives a regression line with an R-squared of 0.873. Here, in figure 26, you can see OSK is only slightly above the line, so it is selling at a premium based on its fundamentals.

Figure 25: Composite valuation, % of range

Ticker	Name	Weight	Fundamentals				Valuation			Weighted	
			30.0%	20.0%	40.0%	10.0%	10.0%	10.0%	80.0%		
			EG	2022	2021	SG	PE		P/S	Fund	Value
		2023	ROE	NPM	STM	2021	2022				
OSK	OSHKOSH CORP		100%	40%	74%	100%	100%	100%	100%	77%	100%
TEX	TEREX		1%	100%	76%	99%	82%	52%	85%	61%	81%
LNR-CA	LINAMAR		39%	39%	100%	99%	56%	48%	76%	70%	71%
PIG-FR	HAULOTTE GROUP		15%	29%	30%	99%	73%	39%	30%	32%	35%

Source: IMCP

Figure 26: Composite relative valuation



Source: IMCP

Discounted Cash Flow Analysis

A three-stage discounted cash flow model was also used to value OSK.

For the purpose of this analysis, the company's cost of equity was calculated to be 10.9% using the Capital Asset Pricing Model. The underlying assumptions used in calculating this rate are as follows:

- The risk-free rate, as represented by a more normal ten-year Treasury bond yield, is 2.42%.
- A five-year beta of 1.12 was utilized, and the firm is exposed to the economic cycle.
- A long-term market rate of return of 10% was assumed, since historically, the market has generated an annual return of about 10%.

Given the above assumptions, the cost of equity is 10.9% ($2.42 + 1.12 (10.0 - 2.42)$).

Stage One - The model's first stage simply discounts fiscal years 2022 and 2023 free cash flow to equity (FCFE). These per share cash flows are forecasted to be \$1.45 and \$3.32, respectively. Discounting these cash flows, using the cost of equity calculated above, results in a value of \$4.01 per share. Thus, stage one of this discounted cash flow analysis contributes \$4.01 to value.

Stage Two - Stage two of the model focuses on fiscal years 2024 to 2028. During this period, FCFE is calculated based on revenue growth, NOPAT margin, and capital growth assumptions. The resulting cash flows are then discounted using the company's 10.9% cost of equity. I assume 5.0% sales growth in 2024 through 2028 as markets stabilize and OSK returns to stable growth. The ratio of sales to NOWC will remain at 2023 levels. Also, for NOPAT, I used a seven-year average as I expect these margins to remain relatively stable in the next few years. Finally, after-tax interest is expected to rise 5.0% per year as result of normal increases in borrowing.

Figure 27: FCFE and discounted FCFE, 2024 – 2028

	2022	2023	2024	2025	2026	2027	2028
FCFE	\$1.45	\$3.32	\$6.75	\$5.80	\$6.09	\$6.40	\$6.72
Discounted FCFE	\$1.31	\$2.70	\$4.95	\$3.83	\$3.63	\$3.44	\$3.25

Added together, these discounted cash flows total \$19.10.

Stage Three – Net income for the years 2022 – 2028 is calculated based upon the same margin and growth assumptions used to determine FCFE in stage two. EPS is expected to grow from \$6.71 in 2022 to \$11.15 in 2028.

Figure 28: EPS estimates for 2015 – 2021

	2022	2023	2024	2025	2026	2027	2028
EPS	\$6.71	\$8.73	\$9.17	\$9.63	\$10.11	\$10.62	\$11.15

Stage three of the model requires an assumption regarding the company's terminal price-to-earnings ratio. Recently, OSK has traded close to market P/E ratio, and the company has substantial growth. Investors expect a growth spike in 2023 to 2024, but I expect this to be more gradual with higher earnings in 2022. Therefore, I assume a P/E ratio of 18 at the end of OSK's terminal year. This multiple is just below the 19.57 P/E in 2021, and I believe this will level out the long-term growth.

Given the assumed terminal earnings per share of \$11.15 and a price to earnings ratio of 18, a terminal value of \$200.64 per share is calculated. Using the 10.9% cost of equity, this number is discounted back to a present value of \$97.19.

Total Present Value – given the above assumptions and utilizing a three stage discounted cash flow model, an intrinsic value of \$120.31 is calculated (4.01 + 19.10 + 97.19). Given OSK's current price of \$108.23, this model indicates that the stock is undervalued.

Scenario Analysis

Oshkosh Corporation is difficult to value because it is hard to predict government defense spending and non-residential construction. Furthermore, it is nearly impossible to assume which government contracts OSK will be awarded. I valued OSK under three scenarios using certain key metrics.

Sales Growth – Strong growth assumes that OSK is able to continue and even improve its product sales. Sales would grow by 8.0% each year reaching over \$13.5 billion by 2028. This growth percentage is just over the 5.0% 10-year average. Weak growth assumes that OSK does not gain as many new defense contracts and access equipment growth is lower. The growth rate is 3.8% and considers the uncertainty of defense contracts and a possible decline in industrial growth.

Terminal P/E – Oshkosh holds a slightly higher average P/E than the industry at about a 16.7. Assuming OSK expands its defense segment, as it appears it my, I believe it will attract more investors raising the P/E close to 20.0 which is just above the 2021 P/E of 19.7.

Figure 29: Scenario analysis

Base Case Expectations	2022	2023	2024	2025	2026	2027	2028
Beta	1.12						
Sales Growth	11.3%	7.0%	5.0%	5.0%	5.0%	5.0%	5.0%
NOPAT/S	5.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%
S/NFA	3.14	3.45	3.45	3.45	3.45	3.45	3.45
Terminal Year P/E	18.00						
Bear Case Expectations	2022	2023	2024	2025	2026	2027	2028
Beta	1.28						
Sales Growth	11.3%	7.0%	3.8%	3.8%	3.8%	3.8%	3.8%
NOPAT/S	5.8%	6.8%	5.2%	5.2%	5.2%	5.2%	5.2%
S/NFA	3.14	3.45	3.45	3.45	3.45	3.45	3.45
Terminal Year P/E	15.00						
Bull Case Expectations	2022	2023	2024	2025	2026	2027	2028
Beta	1.05						
Sales Growth	11.3%	7.0%	8.0%	8.0%	8.0%	8.0%	8.0%
NOPAT/S	5.8%	6.8%	7.2%	7.2%	7.2%	7.2%	7.2%
S/NFA	3.14	3.45	3.45	3.45	3.45	3.45	3.45
Terminal Year P/E	20.00						

Figure 30: Bear, base, and bull price targets

Expectations	P/E	Target Price
Base	18.00	\$120.31
Bear	15.00	\$89.66
Bull	20.00	\$180.65

Figure 30 shows the results of the scenario analysis with the information mentioned above. The values of OSK stock were reached using the same discounted cash flow method outlined in the previous section. A probability-weighted value based on assumed future events could be added to give even more accurate projections. Using this technique results in three possible target prices for each base, bear, and bull case.

OSK's growth is very sensitive to sales growth which is directly correlated to the economy. Historically, gross margins have been stable which is good for OSK, and if it maintains a healthy EBIT margin and growth continues, the stock value could increase substantially. If sales do not grow and OSK does not continue to grow its defense segment, the firm should be valued much lower.

Close attention should be given to OSK's sales growth and operating costs in the near future. The company can continue to grow in value with sales growth, but if sales growth disappoints or goes negative, the stock has significant downside.

Business Risks

I am optimistic about Oshkosh Corporation's future, but there are a number of factors that may be causes for concern.

Covid-19:

Governments around the world have implemented restrictions on their populations in order to contain or reduce the spread of the virus. Some of the restrictions include reduced business capacity, curfews, and travel bans. As restrictions have decreased, significant demands have been put on markets leading to global supply chains being in significant distress. This has resulted in resource/component shortages and production inefficiencies within the company and its suppliers.

Defense contracts:

Defense contracts are very competitive and open to change. At any time, the DoD can terminate, change, or even reopen contracts to re-competition. This is a significant risk as OSK's defense revenue in FY 2021 made up 32.6% of sales. OSK also recently entered the weapons and armament segment of defense contracts for the first time. It's ability to full-fill the first contract, to arm Army vehicles, will be crucial to the success of its defense segment.

Highly cyclical markets:

OSK is impacted heavily by market cycles due to many factors including customers' perception of market timing. Purchasers are also reliant on third-party financing, and both residential and non-residential construction spending is cyclical. Construction equipment rental companies are major purchasers of OSK access equipment, and their business varies with the economy. During the pandemic and economic times of turmoil, renters have faced their own financial restrictions as third-party lenders were less willing to provide financing for OSK's highly priced equipment.

Appendix 1: SWOT Analysis

Strengths	Weaknesses
Superior products Brand recognition Market share	Supply chain constraints Global sales Low ROE
Opportunities	Theats
Defense segment expansion Internation expansion Increase in DOD and infrastructure spending	Continued Covid-19 restrictions Defense contract uncertainties Costs of raw materials

Appendix 2: Porter's 5 Forces

Threat of New Entrants – Low

There are significant barriers to entry in the access equipment industry, but more so in the defense industry. The defense industry is well established with some of the competitors dating back to WW2. Other inhibitors are the high costs of operations and the superior technology of existing firms.

Threat of Substitutes – Low

Threats of substitutes are low because faulty or ineffective equipment affects the buyers' operations and in turn their revenues. OSK has a robust supply chain adding to the intrinsic value of its customer service, and in turn its products.

Supplier Power - High

Parts and materials that OSK uses are expensive, and the suppliers have control over the prices. To combat this, OSK buys in bulk and is often its own supplier for some products.

Buyer Power – Very High

For defense contracts, the buyer has all of the power. The DoD can terminate contracts whenever, adjust them, or even open them for rebidding. However, any expense incurred by OSK will be paid out by the government. The other segments sell to companies in more cyclical industries which gives the seller more power.

Intensity of Competition – Very High

The defense segment is highly competitive with multiple companies bidding for each contract. Companies involved in these bidding wars are frequently filing law suites to try and claim the contracts.

Appendix 3: Sales Forecasts

Sales (in millions)							
Items	2017	2018	2019	2020	2021	2022	2023
Sales	\$6,830	\$7,706	\$8,382	\$6,857	\$7,737	\$8,613	\$9,216
<i>Growth</i>		12.8%	8.8%	-18.2%	12.8%	11.3%	7.0%
Access Equipment	3,026	3,777	4,080	2,515	3,072	3,594	3,882
<i>Growth</i>		24.8%	8.0%	-38.4%	22.1%	17.0%	8.0%
<i>% of sales</i>	44.3%	49.0%	48.7%	36.7%	39.7%	41.7%	42.1%
Defense	1,820	1,829	2,032	2,262	2,526	2,841	3,097
<i>Growth</i>		0.5%	11.1%	11.3%	11.6%	12.5%	9.0%
<i>% of sales</i>	26.7%	23.7%	24.2%	33.0%	32.6%	33.0%	33.6%
Fire & Emergency	1,031	1,070	1,266	1,147	1,227	1,251	1,289
<i>Growth</i>		3.8%	18.4%	-9.4%	6.9%	2.0%	3.0%
<i>% of sales</i>	15.1%	13.9%	15.1%	16.7%	15.9%	14.5%	14.0%
Commercial	970	1,055	1,022	958	938	947	975
<i>Growth</i>		8.7%	-3.1%	-6.3%	-2.1%	1.0%	3.0%
<i>% of sales</i>	14.2%	13.7%	12.2%	14.0%	12.1%	11.0%	10.6%
Other 1	(18)	(25)	(18)	(25)	(25)	(21)	(27)
<i>Growth</i>		35.9%	-26.4%	40.3%	-3.1%	-15.0%	30.0%
<i>% of sales</i>	-0.3%	-0.3%	-0.2%	-0.4%	-0.3%	-0.2%	-0.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
North America	5,286	6,490	7,217	6,024	6,749	7,597	8,128
<i>Growth</i>		22.8%	11.2%	-16.5%	12.0%	12.6%	7.0%
<i>% of sales</i>	77.4%	84.2%	86.1%	87.9%	87.2%	88.2%	88.2%
Europe, Africa, and the Mid	1,147	852	664	414	505	474	507
<i>Growth</i>		-25.7%	-22.0%	-37.7%	22.0%	-6.2%	7.0%
<i>% of sales</i>	16.8%	11.1%	7.9%	6.0%	6.5%	5.5%	5.5%
Other 1	396	364	501	419	484	539	576
<i>Growth</i>		-8.1%	37.7%	-16.3%	15.4%	11.3%	7.0%
<i>% of sales</i>	5.8%	4.7%	6.0%	6.1%	6.3%	6.3%	6.3%

Appendix 4: Income Statement

Income Statements (in millions: excepting EPS and DPS)							
Items	2017	2018	2019	2020	2021	2022E	2023E
Sales	\$6,830	\$7,706	\$8,382	\$6,857	\$7,737	\$8,613	\$9,216
Direct costs	\$5,655	\$6,350	\$6,865	\$5,737	\$6,517	\$7,278	\$7,695
Gross margin	\$1,174	\$1,356	\$1,517	\$1,120	\$1,221	\$1,335	\$1,521
SG&A, R&D, and other	\$711	\$700	\$720	\$632	\$676	\$706	\$728
EBIT	\$463	\$656	\$797	\$489	\$545	\$629	\$793
Interest	\$52	\$61	\$46	\$50	\$47	\$47	\$47
EBIT	\$411	\$595	\$751	\$439	\$498	\$582	\$746
Taxes	\$127	\$124	\$171	\$113	\$25	\$122	\$157
Net income	\$284	\$471	\$579	\$326	\$473	\$460	\$589
Other	(\$2)	(\$1)	\$0	\$2	\$0	\$0	\$0
Net income	\$286	\$472	\$579	\$325	\$473	\$460	\$589
Dividends	\$62.80	\$71.10	\$75.50	\$81.80	\$90.40	\$99.44	\$109.38
Basic Shares	74.70	74.00	69.80	68.10	68.50	68.50	67.50
Earnings per share	\$3.82	\$6.38	\$8.30	\$4.77	\$6.90	\$6.71	\$8.73
Dividends per share	\$0.84	\$0.96	\$1.08	\$1.20	\$1.32	\$1.45	\$1.62

Appendix 5: Balance Sheet

Balance sheet (in millions)							
Items	2017	2018	2019	2020	2021	2022E	2023E
ASSETS							
Current assets							
Cash	447	455	448	583	1,376	998	1,450
Operating assets ex cash	2,593	2,815	2,960	2,953	3,042	3,273	3,364
Operating assets	3,040	3,270	3,408	3,536	4,418	4,271	4,814
Operating liabilities	1,356	1,414	1,435	1,235	1,795	1,551	1,659
NOWC	1,684	1,856	1,974	2,301	2,623	2,720	3,155
NOWC es cash (NWC)	1,237	1,401	1,525	1,718	1,247	1,722	1,704
NFA	2,059	2,024	2,158	2,280	2,474	2,743	2,671
Invested capital	3,743	3,880	4,132	4,581	5,097	5,463	5,826
Total assets	\$5,099	\$5,294	\$5,566	\$5,816	\$6,892	\$7,014	\$7,485
LIABILITIES AND SHAREHOLDERS' EQUITY							
Short-term and long-term debt	831	818	819	823	819	825	823
Other liabilities	604	548	713	907	1,030	1,030	1,030
Debt/equity-like securities	0	0	0	0	0	0	0
Equity	2,307	2,514	2,600	2,851	3,248	3,608	3,973
Total supplied capital	3,743	3,880	4,132	4,581	5,097	5,463	5,826
Total liabilities and equity	\$5,099	\$5,294	\$5,566	\$5,816	\$6,892	\$7,014	\$7,485

Appendix 6: Ratios

Ratios							
Items	Oct-17	Oct-18	Oct-19	Sep-20	Sep-21	Oct-22	Oct-23
Profitability							
Gross margin	17.2%	17.6%	18.1%	16.3%	15.8%	15.5%	16.5%
Operating (EBIT) margin	6.8%	8.5%	9.5%	7.1%	7.0%	7.3%	8.6%
Net profit margin	4.2%	6.1%	6.9%	4.7%	6.1%	5.3%	6.4%
Activity							
NFA (gross) turnover		3.77	4.01	3.09	3.26	3.30	3.40
Total asset turnover		1.48	1.54	1.20	1.22	1.24	1.27
Liquidity							
Op asset / op liab	2.24	2.31	2.38	2.86	2.46	2.75	2.90
NOWC Percent of sales		23.0%	22.8%	31.2%	31.8%	31.0%	31.9%
Solvency							
Debt to assets	16.3%	15.5%	14.7%	14.2%	11.9%	11.8%	11.0%
Debt to equity	36.0%	32.5%	31.5%	28.9%	25.2%	22.9%	20.7%
Other liab to assets	11.9%	10.4%	12.8%	15.6%	15.0%	14.7%	13.8%
Total debt to assets	28.1%	25.8%	27.5%	29.8%	26.8%	26.4%	24.8%
Total liabilities to assets	54.7%	52.5%	53.3%	51.0%	52.9%	48.6%	46.9%
Debt to EBIT	1.79	1.25	1.03	1.68	1.50	1.31	1.04
EBIT/interest	8.96	10.68	17.21	9.85	11.64	13.42	16.88
Debt to total net op capital	22.2%	21.1%	19.8%	18.0%	16.1%	15.1%	14.1%
ROIC							
NOPAT to sales	4.7%	6.7%	7.3%	5.3%	6.7%	5.8%	6.8%
Sales to NOWC		4.35	4.38	3.21	3.14	3.22	3.14
Sales to NFA		3.77	4.01	3.09	3.26	3.30	3.40
Sales to IC		2.02	2.09	1.57	1.60	1.63	1.63
Total ROIC		13.6%	15.4%	8.3%	10.7%	9.4%	11.1%
ROE							
5-stage							
EBIT / sales		8.5%	9.5%	7.1%	7.0%	7.3%	8.6%
Sales / avg assets		1.48	1.54	1.20	1.22	1.24	1.27
EBT / EBIT		90.6%	94.2%	89.9%	91.4%	92.5%	94.1%
Net income / EBT		79.4%	77.2%	73.9%	94.9%	79.0%	79.0%
ROA		9.1%	10.7%	5.7%	7.4%	6.6%	8.1%
Avg assets / avg equity		2.16	2.12	2.09	2.08	2.03	1.91
ROE		19.6%	22.7%	11.9%	15.5%	13.4%	15.5%
3-stage							
Net income / sales		6.1%	6.9%	4.7%	6.1%	5.3%	6.4%
Sales / avg assets		1.48	1.54	1.20	1.22	1.24	1.27
ROA		9.1%	10.7%	5.7%	7.4%	6.6%	8.1%
Avg assets / avg equity		2.16	2.12	2.09	2.08	2.03	1.91
ROE		19.6%	22.7%	11.9%	15.5%	13.4%	15.5%
Payout Ratio		15.1%	13.0%	25.2%	19.1%	21.6%	18.6%
Retention Ratio		84.9%	87.0%	74.8%	80.9%	78.4%	81.4%
Sustainable Growth Rate		16.6%	19.7%	8.9%	12.5%	10.5%	12.7%

Appendix 7: Competitors

Ticker	Name	Current Price	Market Value	Price Change						Earnings Growth						Beta	LT Debt/Equity	S&P Rating	LTM Dividend Yield	Dividend Payout	
				1 day	1 Mo	3 Mo	6 Mo	52 Wk	YTD	2019	2020	2021	2022	2023	2021						2020
OSK	OSHKOSH CORP	\$108.23	\$7,304	(1.0)	(4.3)	0.1	(8.8)	25.4	25.7	18.9	-18.4%	9.3%	-6.2%	71.4%	1.41	30.6%	B	1.26%	19.4%		
TEREX	TEREX	\$42.02	\$2,933	(2.5)	(11.2)	(6.4)	(0.5)	16.6	20.4	233.2	48.5%	2061.5%	47.7%	0.5%	1.70	84.5%	B	1.13%	14.5%		
LNR-CA	LINAMAR	\$56.58	\$3,703	1.4	(9.2)	7.7	(5.8)	4.1	7.6		-11.5%	37.6%	9.7%	28.2%	1.63	17.0%		0.93%	9.2%		
PIG-FR	HAULOTTE GROUP	\$5.59	\$165	2.9	1.2	(18.0)	(23.8)	(16.6)	(18.3)		-239.2%	-136.9%	76.3%	10.4%	0.92			4.49%			
Average			\$3,526	0.2	(5.8)	(4.2)	(9.7)	7.4	8.9	126.1	6.2%	492.9%	31.9%	27.6%	1.42	44.0%		1.95%	14.4%		
Median			\$3,318	0.2	(6.7)	(3.2)	(7.3)	10.3	14.0	126.1	-11.5%	63.6%	23.5%	19.3%	1.52	30.6%		1.20%	14.5%		
SPX	S&P 500 INDEX	\$4,621		(1.0)	(1.5)	4.2	9.4	24.1	23.0		-13.9%	46.2%	8.3%	9.3%							
Ticker	Website	2022 ROE	P/B	P/E						2021						EV/EBIT	P/CF	Sales Growth		Equity	
OSK	http://www.oshkoshcorp.com	11.1%	2.27	12.6	16.6	19.2	15.9	19.5	20.5	12.0	4.9%	0.94	6.1%	7.1%	11.8%	12.2	14.3	3.8%	9.6%	\$47.75	
TEREX	http://www.terex.com	27.3%	2.77	9.2	268.5	15.0	17.0	11.4	10.1	10.1	5.1%	0.76	0.3%	2.5%	0.4%	39.4	8.8	16.5%	9.6%	\$15.18	
LNR-CA	http://www.linamar.com	10.6%	1.04	7.4	14.0	10.7	9.7	10.9	9.8	7.6	6.7%	0.72	4.8%	7.5%	5.1%	11.1		-2.3%		\$54.57	
PIG-FR	http://www.haulotte.com	7.9%	0.66	8.0	-7.4	14.7		8.3	7.6	2.0%	0.29	-5.9%	2.3%	-6.7%	35.7	4.6				\$8.52	
Average		14.2%	1.68	9.3	72.9	14.9	14.2	13.9	12.2	9.3	4.7%	0.68	1.3%	4.9%	2.6%	24.6	9.2	6.0%	9.6%		
Median		10.8%	1.65	8.6	15.3	14.8	15.9	11.4	10.0	8.9	5.0%	0.74	2.5%	4.8%	2.7%	23.9	8.8	3.8%	9.6%		
SPX	S&P 500 INDEX			19.8	26.6	22.5		20.8	19.0												

Appendix 8: 3-stage DCF Model

3 Stage Discounted Cash Flow								
Cost of equity								
Market return	10.00%							
- Risk free rate	2.42%							
= Market risk premium	7.58%							
* Beat	1.12							
= Stock risk premium	8.49%							
r = r _f + stock RP	10.91%							
	Year							
	1	2	3	4	5	6	7	
	First Stage			Second Stage				
Year ending January	2021	2022	2023	2024	2025	2026	2027	2028
Sales Growth	12.8%	11.3%	7.0%	5.0%	5.0%	5.0%	5.0%	5.0%
NOPAT / S	6.7%	5.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%
S / NOWC	2.95	3.17	2.92	3.00	3.00	3.00	3.00	3.00
S / NFA (EOY)	3.13	3.14	3.45	3.45	3.45	3.45	3.45	3.45
S / IC (EOY)	1.52	1.58	1.58	1.60	1.60	1.60	1.60	2.22
ROIC (EOY)	10.1%	9.1%	10.7%	10.9%	10.9%	10.9%	10.9%	10.9%
ROIC (BOY)		9.7%	11.5%	11.3%	11.5%	11.5%	11.5%	11.5%
Share Growth	0.6%	0.0%	-1.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Sales	\$7,737	\$8,613	\$9,216	\$9,677	\$10,160	\$10,668	\$11,202	\$11,762
NOPAT	\$517	\$497	\$626	\$658	\$691	\$725	\$762	\$800
Growth	42.4%	-4.0%	26.1%	5.1%	5.0%	5.0%	5.0%	5.0%
- Change in NOWC	322	97	434	71	161	169	178	187
NOWC EOY	2623	2720	3155	3226	3387	3556	3734	3921
Growth NOWC	14.0%	3.7%	16.0%	-50.5%	5.0%	5.0%	5.0%	5.0%
- Chg NFA	194	269	-72	134	140	147	155	162
NFA EOY	2,474	2,743	2,671	2,805	2,945	3,092	3,247	3,409
Growth NFA	8.5%	10.9%	-2.6%	5.0%	5.0%	5.0%	5.0%	5.0%
Total inv in op cap	516	366	363	204	302	317	332	349
Total net op cap	5097	5463	5826	6030	6332	6648	6981	7330
FCFF	\$1	\$130	\$263	\$454	\$389	\$409	\$429	\$451
% of sales	0.0%	1.5%	2.9%	4.7%	3.8%	3.8%	3.8%	3.8%
Growth		9013.9%	101.9%	72.2%	-14.2%	5.0%	5.0%	5.0%
- Interest (1-tax rate)	44	37	37	39	41	43	45	47
Growth	20.5%	-16.7%	0.2%	5.0%	5.0%	5.0%	5.0%	5.0%
+ Net new debt	-4	6	-2	41	43	45	48	50
Debt	819	825	823	864	907	952	1000	1050
Debt / tot net op capita	16.1%	15.1%	14.1%	14.3%	14.3%	14.3%	14.3%	14.3%
FCFE w debt	(\$47)	\$99	\$224	\$456	\$392	\$411	\$432	\$453
% of sales	-0.6%	1.2%	2.4%	4.7%	3.9%	3.9%	3.9%	3.9%
Growth		-310.2%	125.5%	103.3%	-14.1%	5.0%	5.0%	5.0%
/ # Shares	68.5	68.5	67.5	67.5	67.5	67.5	67.5	67.5
FCFE	(\$0.69)	\$1.45	\$3.32	\$6.75	\$5.80	\$6.09	\$6.40	\$6.72
Growth		-310.2%	128.8%	103.3%	-14.1%	5.0%	5.0%	5.0%
* Discount factor		0.90	0.81	0.73	0.66	0.60	0.54	0.48
Discounted FCFE		\$1.31	\$2.70	\$4.95	\$3.83	\$3.63	\$3.44	\$3.25

Third Stage								
Terminal value P/E								
Net income	\$473	\$460	\$589	\$619	\$650	\$683	\$717	\$752
<i>% of sales</i>	6.1%	5.3%	6.4%	6.4%	6.4%	6.4%	6.4%	6.4%
EPS	\$6.90	\$6.71	\$8.73	\$9.17	\$9.63	\$10.11	\$10.62	\$11.15
<i>Growth</i>	44.8%	-2.8%	30.0%	5.1%	5.0%	5.0%	5.0%	5.0%
Terminal P/E								18.00
* Terminal EPS								\$11.15
Terminal value								\$200.64
* Discount factor								0.48
Discounted terminal value								\$97.19
Summary (using P/E multiple for terminal value)								
First stage	\$4.01	Present value of first 2 year cash flow						
Second stage	\$19.10	Present value of year 3-7 cash flow						
Third stage	\$97.19	Present value of terminal value P/E						
Value (P/E)	\$120.31							