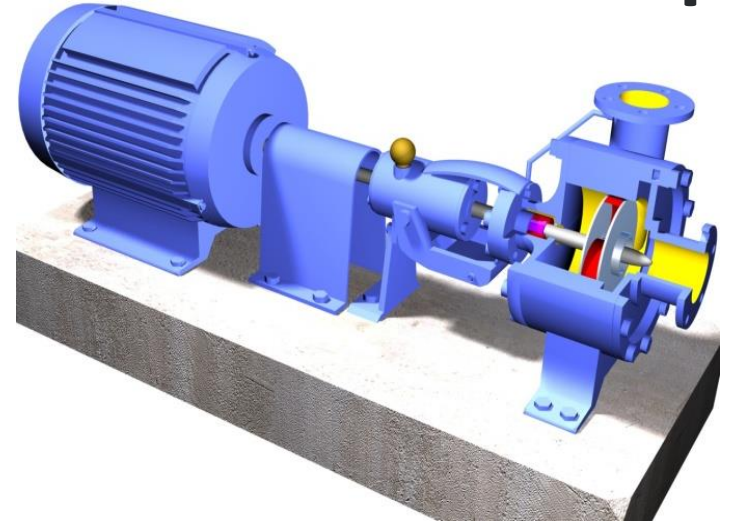


# Draft Manufacturer Impact Analysis

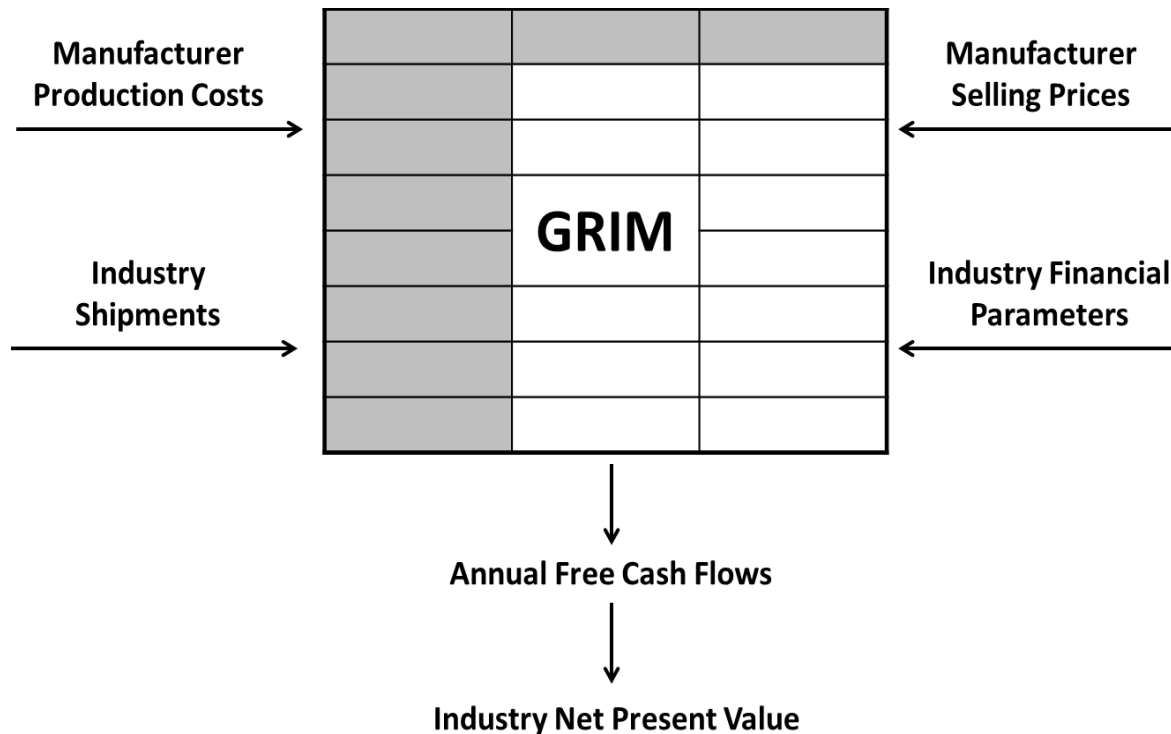
## C&I Pumps



# Manufacturer Impact Analysis

## Purpose

- Assess the impacts of potential energy conservation standards on manufacturers
- Cash flow model to represent industry



# Discounted Cash Flow Model (2013 to 2048)

- Industry Net Present Value (INPV) provides a succinct summary of impacts

<u>Industry Income Statement (in 2013\$ millions)</u>	Base Yr		Ancmt Yr		Std Yr		
	2013	2014	2015	2016	2017	2018	2019
Revenues	\$ 223.7	\$ 229.0	\$ 236.4	\$ 242.9	\$ 247.5	\$ 251.2	\$ 254.8
Total Shipments ( <i>million units</i> )	0.377	0.385	0.398	0.409	0.417	0.423	0.429
- Materials	\$ 107.9	\$ 110.5	\$ 114.0	\$ 117.1	\$ 119.4	\$ 121.2	\$ 122.9
- Labor	\$ 29.5	\$ 30.2	\$ 31.1	\$ 32.0	\$ 32.6	\$ 33.1	\$ 33.6
- Depreciation	\$ 5.8	\$ 6.0	\$ 6.1	\$ 6.3	\$ 6.4	\$ 6.5	\$ 6.6
- Overhead	\$ 20.5	\$ 21.0	\$ 21.7	\$ 22.3	\$ 22.7	\$ 23.1	\$ 23.4
- Standard SG&A	\$ 48.3	\$ 49.5	\$ 51.1	\$ 52.5	\$ 53.4	\$ 54.3	\$ 55.0
- R&D	\$ 3.6	\$ 3.7	\$ 3.8	\$ 3.9	\$ 4.0	\$ 4.0	\$ 4.1
- Product Conversion Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
- Stranded Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings Before Interest and Taxes (EBIT)	\$ 8.1	\$ 8.3	\$ 8.5	\$ 8.8	\$ 8.9	\$ 9.1	\$ 9.2
Per Unit EBIT ( <i>\$/unit</i> )	\$ 21.46	\$ 21.46	\$ 21.46	\$ 21.46	\$ 21.46	\$ 21.46	\$ 21.46
EBIT/Revenues (%)	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%	3.6%
- Taxes	\$ 2.2	\$ 2.3	\$ 2.3	\$ 2.4	\$ 2.4	\$ 2.5	\$ 2.5
<b>Net Operating Profit after Taxes (NOPAT)</b>	<b>\$ 5.9</b>	<b>\$ 6.0</b>	<b>\$ 6.2</b>	<b>\$ 6.4</b>	<b>\$ 6.5</b>	<b>\$ 6.6</b>	<b>\$ 6.7</b>

## Cash Flow Statement

NOPAT	\$ 5.9	\$ 6.0	\$ 6.2	\$ 6.4	\$ 6.5	\$ 6.6	\$ 6.7
+ Depreciation	\$ 5.8	\$ 6.0	\$ 6.1	\$ 6.3	\$ 6.4	\$ 6.5	\$ 6.6
+ Loss on Disposal of Stranded Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
- Change in Working Capital	\$ -	\$ 1.0	\$ 1.4	\$ 1.2	\$ 0.9	\$ 0.7	\$ 0.7
Cash Flows from Operations	\$ 11.7	\$ 11.0	\$ 11.0	\$ 11.5	\$ 12.1	\$ 12.4	\$ 12.6
- Ordinary Capital Expenditures	\$ 6.0	\$ 6.2	\$ 6.4	\$ 6.6	\$ 6.7	\$ 6.8	\$ 6.9
- Capital Conversion Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Free Cash Flow</b>	<b>\$ 5.6</b>	<b>\$ 4.8</b>	<b>\$ 4.6</b>	<b>\$ 4.9</b>	<b>\$ 5.4</b>	<b>\$ 5.6</b>	<b>\$ 5.8</b>

## Discounted Cash Flow

Free Cash Flow	\$ 5.6	\$ 4.8	\$ 4.6	\$ 4.9	\$ 5.4	\$ 5.6	\$ 5.8
Terminal Value	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Present Value Factor	0.000	1.000	0.894	0.800	0.716	0.640	0.573
Discounted Cash Flow	\$ -	\$ 4.8	\$ 4.1	\$ 3.9	\$ 3.9	\$ 3.6	\$ 3.3

**INPV at Baseline \$ 55.7**

# Pricing & Markups

## Manufacturer Markup Scenarios

Change in manufacturer markup reflects the industry's ability to increase prices to recover conversion cost investments

### ■ Lower Bound: Flat Markup

- Minimal cost recovery
- Manufacturers are not able to raise prices due to market factors
- Minimal change in end-user pricing

### ■ Upper Bound: Recovery Markup

- High cost recovery
- Manufacturers are able to increase MSP to recover conversion costs
- Maximum increase in end-user pricing

# Markups

## Flat Markup

	Base Case	PER 10	PER 25	PER 40	PER 55	PER 70
ESCC	1.35	1.35	1.35	1.35	1.35	1.35
ESFM	1.33	1.33	1.33	1.33	1.33	1.33
IL	1.44	1.44	1.44	1.44	1.44	1.44
VT-S	1.35	1.35	1.35	1.35	1.35	1.35
RS-V	TBD	-	-	-	-	-

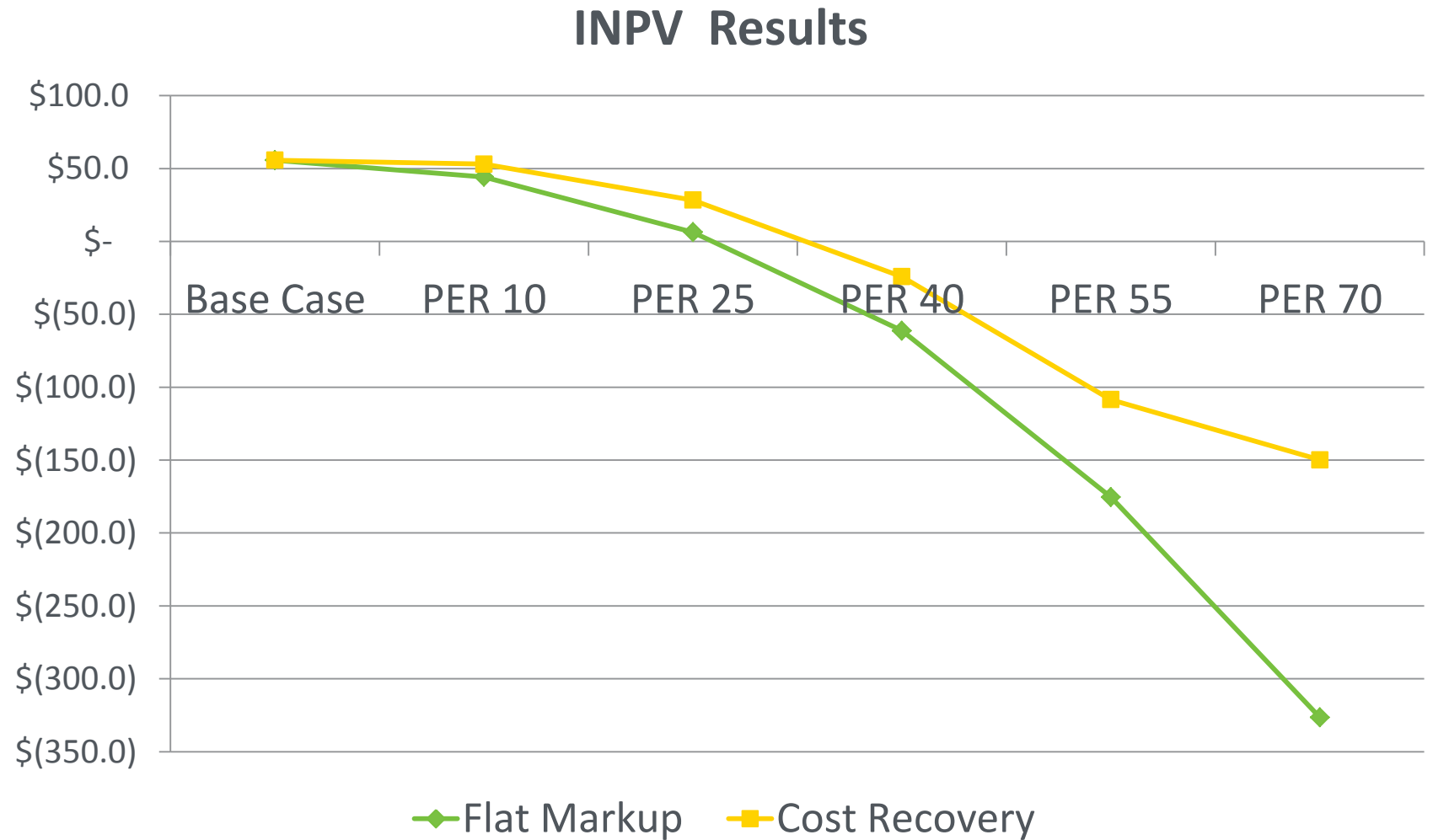
## Cost Recovery Markup

	Base Case	PER 10	PER 25	PER 40	PER 55	PER 70
ESCC	1.35	1.46	1.49	1.51	1.58	1.67
ESFM	1.33	1.39	1.46	1.50	1.60	1.70
IL	1.44	1.48	1.52	1.59	1.67	1.76
VT-S	1.35	1.38	1.37	1.38	1.41	1.44
RS-V	TBD	-	-	-	-	-

## % Change

	Base Case	PER 10	PER 25	PER 40	PER 55	PER 70
ESCC	0%	8%	10%	12%	17%	24%
ESFM	0%	5%	10%	13%	20%	28%
IL	0%	3%	6%	10%	16%	22%
VT-S	0%	2%	1%	2%	4%	7%
RS-V	TBD	-	-	-	-	-

# INPV Results



# INPV Results

## Industry Value in \$M

	Base Case	PER 10	PER 25	PER 40	PER 55	PER 70
Flat Markup	\$ 55.7	\$ 44.3	\$ 6.3	\$ (61.3)	\$ (175.4)	\$ (326.4)
Cost Recovery Markup	\$ 55.7	\$ 53.1	\$ 28.3	\$ (24.2)	\$ (108.6)	\$ (149.9)

## % Change in Industry Value

	Base Case	PER 10	PER 25	PER 40	PER 55	PER 70
Flat Markup	0%	-21%	-89%	-210%	-415%	-686%
Cost Recovery Markup	0%	-5%	-49%	-143%	-295%	-369%



# Manufacturer Impact Analysis

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Questions?