**Canadice Lake Technologies, Inc.[[1]](#footnote-1)**

**Problem Set – EBITDA, SDE and Free Cash Flow [[2]](#footnote-2)**

The following questions may be answered through the [Sample Cash Flow Model](http://richardhaskell.net/resources/Sample+Cash+Flow+Forecast+9-14-2021.xlsx) utilizing data provided for [Canadice Lake Technologies – Narrative & Financials](http://richardhaskell.net/resources/Canadice+Lake+Tech+-+Narrative+and+Financials.pdf) after making operating income adjustments based on information included in the narrative.

**Forecasting EBITDA, SDE and Free Cash Flow**

1. **The** [**Canadice Lake Technologies – Narrative & Financials**](http://richardhaskell.net/resources/Canadice+Lake+Tech+-+Narrative+and+Financials.pdf) **offers a rich body of information relative to the firm’s current (2021) and historic cash flows. Given the information provided, calculate and present the following cash flow elements for the firm as of the end of 2021 including any reasonable adjustments motivated by extraneous information included in the case narrative**
   1. **Operating Income – Earnings Before Interest & Tax (EBIT)**
   2. **Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)**
   3. **Seller’s Discretionary Earnings (SDE)**
   4. **Free Cash Flow (FCF)**
2. **Estimate and present the following values for the firm based on expected performance conditions for 2022, 2023, 2025 and 2025**
   1. **Revenues**
   2. **Gross Profit**
   3. **Operating Income – Earnings Before Interest & Tax (EBIT)**
   4. **Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)**
   5. **Seller’s Discretionary Earnings (SDE)**
   6. **Free Cash Flow (FCF)**
3. **Why are the firm’s Taxable Income and Net Income not given consideration in the various valuation metrics discussed in our class to date?**
4. **The case narrative includes information that may be useful in calculating and estimating adjusted operating income (EBIT). Why are these adjustments important to firm stakeholders when seeking a valuation estimate of the firm?** *Offer a substantial enough answer to this to evidence you have a command of the dynamics of EBIT in the valuation estimation process.*

1. This problem and solution set is intended to present an abbreviated discussion of the included finance concepts and is not intended to be a full or complete representation of them or the underlying foundations from which they are built. [↑](#footnote-ref-1)
2. This problem set was developed by Richard Haskell, PhD (rhaskell@westminstercollege.edu), Gore School of Business, Westminster College, Salt Lake City, Utah (2021) and Michael von Ballmoos (michael.vonballmoos@gmail.com) [↑](#footnote-ref-2)