



## Valuation Analysis

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## **Executive Summary**

First Banks America, Inc is a holding company for regional banks in California and Texas whose subsidiary banks offer a broad range of commercial and personal deposit products, including demand, savings, money market and time deposit accounts. It operates through two subsidiary banks and one subsidiary bank holding company, which are First Bank & Trust, (FB&T), and The San Francisco Company (SFC) and its wholly owned subsidiary, Bank of San Francisco (BSF).

This report evaluates the attractiveness of the company's stock for shareholder returns. The report presents an analysis of the company's strategy based on the structure of the industry it operates in, key growth drivers, risks and outlook for the future. The report also evaluates company's financial performance in the recent years and values the company's stocks using various models such as dividend growth model and method of comparables.

Based on our analysis of the company, we believe that FBA is currently undervalued and its true value is \$41.77. Based on the target price, FBA is undervalued by 6.5%; therefore, we recommend buying this security.

<b>Current Price</b>	<b>Target Price</b>
\$39.21	\$41.77

## **Company Background**

First Banks America, Inc. (FBA), through its subsidiary banks, offers a broad range of commercial and personal deposit products, including demand, savings, money market and time deposit accounts. In addition, the company markets combined basic services for various customer groups, including packaged accounts for more affluent customers, and sweep accounts, lock-box deposits and cash management products for commercial customers. FBA

also offers both consumer and commercial loans. Other financial services include mortgage banking, credit and debit cards, brokerage services, credit-related insurance, automated teller machines, telephone banking, safe deposit boxes and trust and private banking services.

In addition to competing with other banks within their primary service areas, FBA's subsidiary banks also compete with other financial intermediaries, such as credit unions, industrial loan associations, securities firms, insurance companies, small loan companies, finance companies, mortgage companies, real estate investment trusts, certain governmental agencies, credit organizations and other business enterprises. Additional competition for depositors' funds comes from United States Government securities, private issuers of debt obligations and suppliers of other investment alternatives for depositors. Many of FBA's non-bank competitors are not subject to the same extensive federal regulations that govern bank holding companies and federally insured banks and state regulations governing state-chartered banks. As a result, such non-bank competitors may have certain advantages over FBA in providing some services.

### **Banking Industry**

The banking industry has historically been one of the most heavily regulated industries in the United States. This was a direct result of the 1929 stock market crash, which resulted in hundreds of bank failures. In recent years, regulators have explored the idea of banks to become more competitive with other types of financial service firms. Banks have traditionally targeted sectors with the most abundant loan-growth rates.

### ***Capital Requirements and Cost Structure***

Banks must construct and maintain numerous branch offices to serve retail bank customers. They must also by computers and other equipment to automate their operations to

keep costs down. The banking industry is very labor intensive. In recent years, banks have moved to reduce personnel through layoffs and natural attrition while automating back-end processing of financial transactions. This is one reason many banks prefer customers to use ATM machines and internet banking as opposed to visiting an in-branch teller. The labor costs associated with personal customer service are enormously high.

### ***Key Growth Drivers***

Interest rates are the single most important aspect of bank profitability. Most bank profits are derived from net interest income. This is interest income received on loans minus interest expense for borrowed funds. Interest rates determine the amount of money a bank can earn. Another measure is a banks' net interest margin which is a bank's net interest income divided by its average earning assets. This is a common measure of a bank's ability to squeeze profits from its loans.

Banks tend to do well when the economy is strong because the demand for loans and investments are high and the loan-default rate is lower. Conversely, as the economy is in a downturn, demand of loans decrease and delinquency rates increase. Banks are asset-sensitive and derive funding from essentially free sources such as equity issues or demand deposits.

### ***Industry Structural Analysis***

#### **Industry Competition**

Competition is very intense since there are numerous equally balanced competitors that offer virtually undifferentiated products and the industry is very mature. Banks compete on a variety of aspects, such as interest rates, management fees, and other value-add services.

### **Threat of Substitutes**

Banks have the unique leverage over their customers. Substitutes for banking products are the “mattress bank” or hoarding cash in the refrigerator, each of which do not offer the security or features of financial institutions. Banks offer security that cannot be found elsewhere due to the FDIC regulations.

### **Buyer Power**

Buyers enjoy strong bargaining power since the switching costs are low and consumers are very sensitive to quality of service and interest rates because loan products are virtually undifferentiated.

### **Supplier Power**

Suppliers of money (customers) have high power over banks because switching costs of checking/savings accounts are very low. Customers can move money if they are dissatisfied with the service or rates.

### **Barriers to Entry**

The power of barriers to entry is high because of the high capital costs in starting banks and high regulatory power of the federal and state governments. The Gramm-Leach-Bliley Act, which repealed the Glass-Steagall Act allowed brokerage firms and other financial institutions to enter into the banking industry. In addition, regulation has kept banks from achieving optimal levels of efficiency that is needed to establish a national bank. Because of the new Act, banks can now achieve economies of scale as they can compete on a national level and not be constrained to any regional restrictions. However, for new banks, capital requirements are quite high to meet the stringent FDIC regulations.

## **FBA Acquisition Strategy**

FBA has relied on acquiring other financial institutions as a means of development of their banking franchise and achieving growth objectives. An acquisition serve to enhance their presence in a given market, expand the extent of a market area or enables to enter into new or noncontiguous markets. The company wants to achieve a size sufficient to enable itself to take advantage of many of the efficiencies available to the much larger competitors. The company also views a combination of internal growth and acquisitions as the means to achieve overall growth objectives.

FBA will continue to grow its revenues through acquisitions of smaller regional financial institutions in order to build its banking franchise. The acquisition strategy is to purchase these institutions over time, rather than one lump acquisitions; thus, lowering the capital needed to finance the acquisitions. FBA believes it must achieve a certain size before many of the efficiencies are met. One of the disadvantages of FBA's strategy is its acquisitions are cash-financed, which is sometimes a disadvantage as many banks prefer some type of stock transactions.

For the previous three years, FBA has completed ten bank acquisitions and one branch office, primarily in California. FBA will focus its acquisitions in the Dallas and Houston metro markets, as it has achieved its optimal level in the California market.

## FBA Management Structure

<b>Name</b>	<b>Position</b>
James F. Dierberg	Chairman of the Board, CEO, & President
Frank H. Sanfilippo	Exec. VP, CFO
Allen H. Blake	Exec. VP, COO
Terrance M. McCarthy	Exec. VP, President and CEO of FB&T
Donald Williams	Exec. VP, Chief Credit Officer

By maintaining nearly 93% ownership of the company, FBA directors have the ability to closely manage its policies and procedures with little influence from outside the company. Since FBA is relatively unknown by institutional investors, it has the potential of being undervalued, since information is not disseminated very fast throughout the Wall Street analysts and investors. The chart below outlines the stock ownership with FBA.

James Dierberg, Chairman, CEO, and President owns approximately 92% of FBA, which shares are split between the Dierberg family members. Over the last six months, insiders accounted for virtually none of the stock transactions. In October 2001, FBA repurchased 800,000 shares as part of its capital structure strategy.

<b>Stock</b>	<b>Owner</b>	<b>Number of Shares</b>	<b>Percent of Class</b>
<b>Class B</b>	<b>First Banks, Inc</b>	<b>2,500,000</b>	<b>100%</b>
Common Stock	James F Dierberg	9,545,107	92%
Common Stock	Allen H. Blake	1,000	*
Common Stock	Charles A. Crocco	8,272	*
Common Stock	Albert M. Lavezzo	10,710	*
Common Stock	Terrance M. McCarthy	2,000	*
Common Stock	Ellen D Schepman	1,500	*
Common Stock	Edward T. Story Jr.	11,182	*
Common Stock	Donald W. Williams	100	*
Common Stock	Various Institutional Investors	101,000	0.09%

The chart below outlines the major institutional investors. This company is very closely held among its principal managers with very little ownership from Wall Street or other major investors.

Institution	Number of Shares	Ownership
Barclays Global Investors	23,263	0.18%
Geewax Terker & Co.	14,800	0.12%
Dimensional Fund Advisors	13,634	0.11%
State Street Global Advisors	11,754	0.09%
Banc Of America	7,583	0.06%
Trinity Investment Management	5,300	0.04%
TIAA Creff Investment Management	5,011	0.04%
Vanguard Group	3,900	0.03%
Alliance Capital Management	1,700	0.01%
Ohio Public Employees Retirement System	1,253	0.01%
AXA Rosenberg Investment Management	1,400	0.01%
Wilshire Asset Management	1,050	0.01%
Frank Russell Investment Management	500	*
New York Life Investment Management	480	*
Deutsche Asset Management	476	*

### **FBA Financial Statement Analysis**

The banking industry has typically high amounts of debt on its balance sheets due to the high number of loans it makes. In exhibit 2, FBA has nearly \$2.3 billion in loans outstanding, which substantially raises its debt/equity rate to .46. FBA has enjoyed strong earnings growth from 1998 to 2000; however in 2001, growth declined, largely due to increase in interest expense from new debt acquired in 2001. (See exhibit 3, 4, & 5)

The initial signal that FBA is potentially undervalued is the higher-than-average ROE and low price-to-book, relative to its industry. (Exhibit 2) These two factors combined indicate FBA could be undervalued and further examination of the financials is necessary.

EPS growth and sales growth have been growing rapidly over the past five years. These growth rates alone will not give a good indication of the intrinsic value of the firm. The source of these growth rates primarily comes from the acquisitions of smaller banks over the past five years. However, the ROE and ROA is a good indication of the financial stability of FBA. Exhibit 2 highlights the steady increase in ROE and ROA, which has

leveled off in 2001 due to decreasing interest rates; higher default rates, and a sagging economy.

As part of FBA's acquisition strategy, it purchases the smaller bank's assets. FBA recognizes those assets in the "long term investments" section of the balance sheet, which are primarily made up of outstanding loans. Two important liquidity ratios are not calculated, because of the nature of the banking balance sheet.

FBA primarily uses cash to fund its acquisitions; thus, it carries a high amount of cash on the balance sheet. Additionally, in 2001, FBA liquidated some short-term investments to cover acquisitions throughout the year.

The banking industry will have very high debt/equity ratios, as the majority of its debt is held as loans, which funds the business plan. It is difficult to understand the true capital structure with FBA's core business is funded by its debt.

## **FBA Valuation**

### ***Method of Comparables***

Based on the fundamental data points in exhibit 1, the following fundamental ratios were calculated using the regression method:

<b>Ratio</b>	<b>Value</b>	<b>Regression Output</b>
Price/Earnings	14.21	Exhibit 6
Price-to-Sales	2.44	Exhibit 7
Price-to-Book	2.04	Exhibit 8

Using data from the "regional banks" industry, these ratios were all calculated with high "adjusted R<sup>2</sup>" values. In each of the exhibits referenced above indicate that all variables used to calculate the ratios are statistically significant and major outliers were removed from the sample set. Based on the comparables method, the price-to-sales ratio is the most accurate indicator of the intrinsic value of the stock. In addition, each of these ratios are

lower than industry average and FBA's ROE is higher than average. This confirms that FBA's is undervalued. (Exhibit 2)

### ***FCFE Analysis***

Banking organizations financial systems are characterized by unusual difficulties of accurate identification of components required for Free Cash Flow. However, FCF to equity provides a simpler means as it does not require detailed breakdown of the company's financial structure.

For the FCFE estimation, we started from the basic principle by evaluating FBA's beta. We ran a regression analysis for return on FBA's share against the return on S&P in the past five years. Exhibit 9 shows the result of the analysis, which gives FBA a beta of .52 with an  $R^2$  of .27.

Exhibit 9 shows the 4 years average of each of the components used in projecting 10 years flow to equity for FBA. FBA had an average sales growth of 25% in the past four years, mainly due to acquisitions. While FBA intends to continue with the acquisition momentum, and considering FBA's current size, future acquisition of small banks will have smaller impact on FBA's revenue. Hence, we project a modest sales growth of 15% in line with the industry average. We projected that FBA will continue its high growth rate for the next 5 years, after which we believe competition will catch up and force FBA to reduce its gross margin from current 25% to industry average of 15%.

Annual depreciation is estimated to be .379 % of asset with same growth rate as that of asset (17%). Capital expenditures and Working capital were both estimated to be 2.8% of sales and 22% of change in sales respectively. As a result of these assumptions and calculations, the free cash flow to equity predicts an intrinsic value of the stock of \$41.77.

## Recent Financial Performance

Valuation techniques using 4<sup>th</sup> quarter 2001 data will show that FBA is undervalued. Interestingly, the market has corrected itself as more investors become privy to the undervalue valuation; consequently, the stock price took a sharp increase as this data was made available. The chart below indicates the price increase once the 4<sup>th</sup> quarter 2001 data became available.



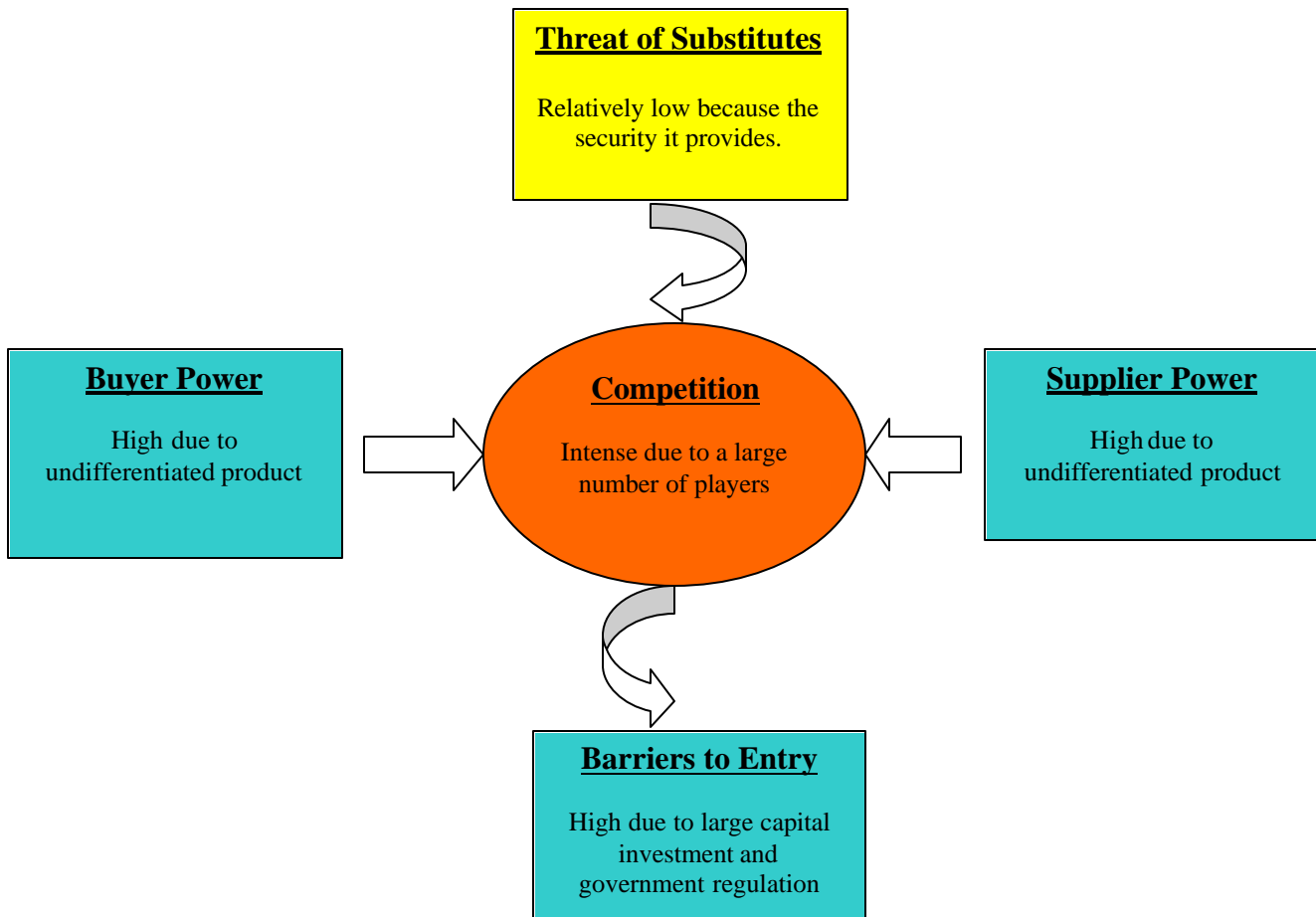
## Investment Opinion

The current price of the stock is \$39.21; furthermore, the intrinsic value, as calculated by the FCFE method is \$41.77.

We recommend this security as a "buy", based on the following facts:

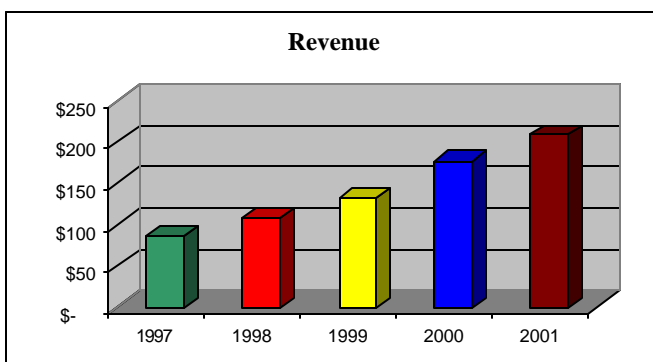
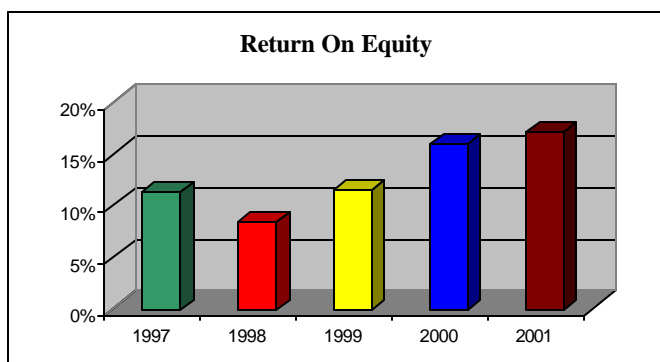
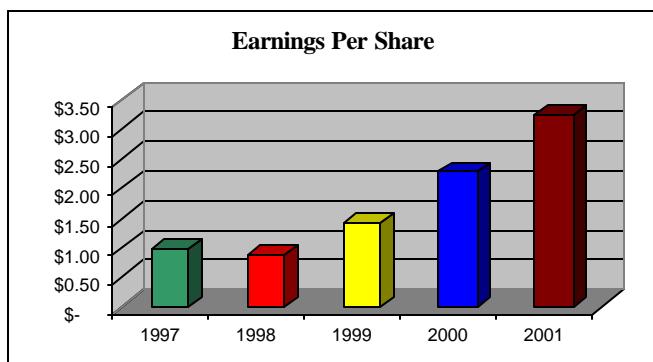
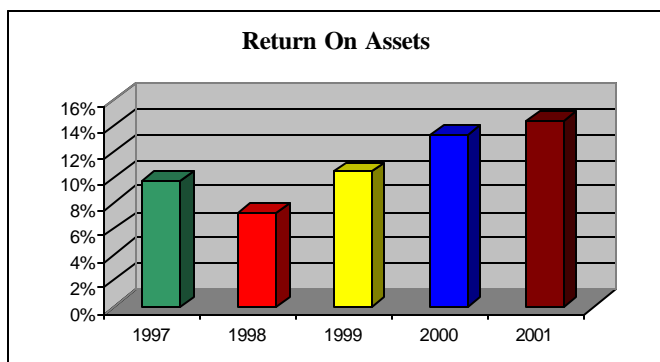
- FBA stock price is undervalued by 6.5%
- The expected rate of return is 10.2%
- Above market average returns

## Exhibit 1—Five Forces Industry Analysis



## Exhibit 2—FBA Fundamental Data Comparison

	Price To Sales	Price Earnings	Price To Book	Beta	EPS	Profit Margin	Payout	5 Yr Sales Growth	ROE	5 Yr EPS Growth
First Banks America, Inc.	2.44	14.21	2.04	0.32	\$3.40	19.23	4.9	44.23	17.18	83.47
Industry Average	4.53	22.39	3.04	0.78	\$2.05	21.24	33.60	13.27	11.91	16.17



### Exhibit 3—FBA Balance Sheet

	31-Dec-2001	31-Dec-2000	31-Dec-1999	31-Dec-1998
<i>Current Assets</i>				
Cash And Cash Equivalents	\$ 107,797,000	\$100,035,000	\$35,766,000	\$35,313,000
Short Term Investments	\$ 11,300,000	\$53,175,000	\$8,800,000	\$11,000,000
Net Receivables	\$ 15,233,000	\$20,048,000	\$6,244,000	\$4,443,000
Inventory				
Other Current Assets				
<b>Total Current Assets</b>	<b>\$ 134,330,000</b>	<b>\$173,258,000</b>	<b>\$50,810,000</b>	<b>\$50,756,000</b>
<i>Long Term Assets</i>				
Long Term Investments	\$ 2,705,777,000	\$2,355,966,000	\$810,190,000	\$621,239,000
Property Plant And Equipment	\$ 46,746,000	\$45,526,000	\$13,321,000	\$11,703,000
Goodwill		\$74,609,000	\$16,579,000	
Intangible Assets	\$ 103,153,000			\$8,405,000
Other Assets	\$ 13,236,000	\$46,712,000	\$18,682,000	\$15,773,000
Deferred Long Term Asset Charges	\$ 57,746,000	\$45,308,000	\$11,125,000	\$12,121,000
<b>Total Assets</b>	<b>\$ 3,060,988,000</b>	<b>\$2,741,379,000</b>	<b>\$920,707,000</b>	<b>\$719,997,000</b>
<i>Current Liabilities</i>				
Accounts Payable	\$ 26,234,000	\$32,724,000	\$6,984,000	\$4,987,000
Short Term And Current Long Term Debt	\$ 59,780,000	\$57,585,000	\$14,940,000	\$4,141,000
Other Current Liabilities	\$ 2,555,261,000	\$2,306,356,000	\$780,023,000	\$599,147,000
<b>Total Current Liabilities</b>	<b>\$ 2,641,275,000</b>	<b>\$2,396,665,000</b>	<b>\$801,947,000</b>	<b>\$608,275,000</b>
Long Term Debt	\$ 115,342,000	\$142,280,000	\$44,218,000	\$44,155,000
Deferred Long Term Liability Charges	\$ 19,054,000	\$5,525,000	\$2,043,000	\$1,722,000
<b>Total Liabilities</b>	<b>\$ 2,775,671,000</b>	<b>\$2,544,470,000</b>	<b>\$848,208,000</b>	<b>\$654,152,000</b>
<i>Stock Holders Equity</i>				
Common Stock	\$ 1,937,000	\$1,817,000	\$956,000	\$956,000
Retained Earnings	\$ 80,509,000	\$40,894,000	\$15,163,000	\$5,693,000
Treasury Stock	(\$1,332,000.00)	(\$76,000)	(\$11,369,000)	(\$10,088,000)
Capital Surplus	\$ 184,979,000	\$153,929,000	\$69,760,000	\$68,743,000
Other Stockholder Equity	\$ 19,224,000	\$345,000	(\$2,011,000)	\$541,000
<b>Total Stockholder Equity</b>	<b>\$ 285,317,000</b>	<b>\$196,909,000</b>	<b>\$72,499,000</b>	<b>\$65,845,000</b>
<b>Net Tangible Assets</b>	<b>\$ 182,164,000</b>	<b>\$122,300,000</b>	<b>\$55,920,000</b>	<b>\$57,440,000</b>
<b>Total Stockholder Equity &amp; Liabilities</b>	<b>\$ 3,060,988,000</b>	<b>\$2,741,379,000</b>	<b>\$920,707,000</b>	<b>\$719,997,000</b>

## Exhibit 4—FBA Income Statement

	31-Dec-2001	31-Dec-2000	31-Dec-1999	31-Dec-1998
<b>Total Revenue</b>	<b>\$ 235,905,000</b>	<b>\$189,325,000</b>	<b>\$74,550,000</b>	<b>\$58,802,000</b>
Cost Of Revenue	\$ 76,242,000	\$69,374,000	\$24,849,000	\$21,606,000
Gross Profit	\$159,663,000	\$119,951,000	\$49,701,000	\$37,196,000
<b>Operating Expenses</b>				
Selling General And Administrative Expenses	\$ 88,046,000	\$67,000,000	\$31,692,000	\$25,876,000
Non Recurring		( <b>\$215,000</b> )		
Other Operating Expenses	\$ 10,950,000	\$5,111,000	\$1,531,000	\$1,496,000
Operating Income	\$ 60,667,000	\$48,055,000	\$16,478,000	\$9,824,000
Earnings Before Interest And Taxes	\$60,667,000	\$48,055,000	\$16,478,000	\$9,824,000
Interest Expense	\$ 6,782,000	\$2,251,000	\$682,000	\$1,622,000
Income Before Tax	\$53,885,000	\$45,804,000	\$15,796,000	\$8,202,000
Income Tax Expense	\$ 13,811,000	\$18,007,000	\$6,326,000	\$3,592,000
<b>Net Income</b>	<b>\$40,074,000</b>	<b>\$27,797,000</b>	<b>\$9,470,000</b>	<b>\$4,610,000</b>

## Exhibit 5—FBA Cash Flow Statement

	31-Dec-2001	31-Dec-2000	31-Dec-1999	31-Dec-1998
<b>Net Income</b>	\$ 39,615,000	\$27,797,000	\$9,470,000	\$4,610,000
<i><b>Cash Flow Operating Activities</b></i>				
Depreciation	\$ 9,447,000	\$5,695,000	\$1,936,000	\$1,658,000
Adjustments To Net Income	\$ 3,555,000	\$4,545,000	\$5,443,000	\$3,354,000
Changes in Operating Activities				
Changes In Accounts Receivables	5,846,000.00	(\$3,017,000)	(\$853,000)	\$456,000
Changes In Liabilities	(2,523,000.00)	\$2,995,000	\$504,000	(\$1,366,000)
Changes In Other Operating Activities	733,000.00	\$7,173,000	(\$3,717,000)	\$1,154,000
Cash Flows From Operating Activities	56,673,000.00	\$45,188,000	\$12,783,000	\$9,866,000
<i><b>Cash Flow Investing Activities</b></i>				
Capital Expenditures	(2,060,000.00)	(\$3,738,000)	(\$1,819,000)	(\$1,768,000)
Investments	(24,061,000.00)	(\$198,472,000)	(\$23,149,000)	(\$24,726,000)
Other Cashflows From Investing Activities	27,859,000.00	(\$86,446,000)	(\$17,013,000)	(\$9,783,000)
Cash Flows From Investing Activities	1,738,000.00	(\$288,656,000)	(\$41,981,000)	(\$36,277,000)
<i><b>Cash Flow Financing Activities</b></i>				
Sale Purchase Of Stock	24,866,000.00	(\$1,429,000)	(\$1,281,000)	(\$9,575,000)
Net Borrowings	(24,805,000.00)	\$71,729,000	\$10,800,000	\$46,098,000
Other Cashflows From Financing Activities	(92,585,000.00)	\$229,082,000	\$17,932,000	\$1,039,000
Cash Flows From Financing Activities	(92,524,000.00)	\$299,382,000	\$27,451,000	\$37,562,000
<b>Change In Cash And Cash Equivalents</b>	<b>(34,113,000.00)</b>	<b>\$55,914,000</b>	<b>(\$1,747,000)</b>	<b>\$11,151,000</b>

## Exhibit 6—Price-To-Earnings Regression Output

### Price/Earnings Regression Statistics

Multiple R	0.8369
R Square	0.7004
<b>Adjusted R Square</b>	<b>0.6959</b>
Standard Error	3.6423
Observations	271

### ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	4	8251.694725	2062.92368	155.49663	2.21347E-68
Residual	266	3528.93627	13.2666777		
Total	270	11780.63099			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	11.0445	0.9313	11.8586	2.528E-26	9.2108	12.8783	9.2108	12.8783
Beta	4.1427	0.7657	5.4102	1.404E-07	2.6351	5.6503	2.6351	5.6503
Payout Ratio	0.1631	0.0079	20.5972	5.197E-57	0.1475	0.1787	0.1475	0.1787
5 Year Sales Growth	0.1369	0.0255	5.3700	1.718E-07	0.0867	0.1871	0.0867	0.1871
ROE	-0.2921	0.0478	-6.1073	3.579E-09	-0.3863	-0.1980	-0.3863	-0.1980

Price/Earnings				14.21
Intercept		11.0445		11.0445
Beta	0.32	4.1427		1.3257
Payout	4.9	0.1631		0.7992
5 Yr Sales Growth	44.23	0.1369		6.0551
ROE	17.18	-0.2921		-5.0191

## Exhibit 7—Price-To-Sales Regression Output

### Price-to-Sales Regression Statistics

Multiple R	0.9092
R Square	0.8266
<b>Adjusted R Square</b>	<b>0.8249</b>
Standard Error	0.3224
Observations	393

### ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	4	192.34	48.09	462.540033	3.65E-146
Residual	388	40.34	0.10		
Total	392	232.68			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	-0.0453	0.0620	-0.7318	0.4648	-0.1672	0.0765	-0.1672	0.0765
Profit Margin	0.1633	0.0049	33.0714	5.994E-115	0.1536	0.1730	0.1536	0.1730
Payout Ratio	0.0071	0.0007	10.5452	4.97999E-23	0.0058	0.0084	0.0058	0.0084
5 Year Sales Growth	0.0020	0.0009	2.3409	0.0197	0.0003	0.0037	0.0003	0.0037
ROE	-0.0452	0.0055	-8.2046	3.44276E-15	-0.0560	-0.0343	-0.0560	-0.0343

Price to Sales		2.44	
Intercept			-0.0453
Profit Margin	19.23	0.1633	3.1402
Payout Ratio	4.9	0.0071	0.0347
5 Year Sales Growth	44.23	0.0020	0.0891
ROE	17.18	-0.0452	-0.7760

## Exhibit 8—Price-To-Book Regression Output

<i>Price-to-Book Regression Statistics</i>	
Multiple R	0.8310
R Square	0.6906
<b>Adjusted R Square</b>	<b>0.6883</b>
Standard Error	0.3719
Observations	414

### ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	3	126.54	42.18	305.01	4.9488E-104
Residual	410	56.70	0.14		
Total	413	183.24			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	-0.0135	0.0649	-0.2082	0.8352	-0.1412	0.1141	-0.1412	0.1141
Beta	0.6108	0.0766	7.9731	1.554E-14	0.4602	0.7614	0.4602	0.7614
Payout Ratio	0.0053	0.0007	8.0542	8.788E-15	0.0040	0.0066	0.0040	0.0066
ROE	0.1067	0.0041	26.0455	6.011E-89	0.0986	0.1147	0.0986	0.1147

<b>Price to Book</b>				<b>2.04</b>
Intercept				-0.0135
Beta	0.32	0.6108		0.1954
Payout Ratio	4.9	0.0053		0.0259
ROE	17.18	0.1067		1.8327

## Exhibit 9—Free Cash Flows to Equity Worksheet

	1997	1998	1999	2000	2001	Average
Sales	\$ 85,163	\$ 108,833	\$ 132,720	\$ 177,248	\$ 208,347	
Sales Growth		27.8%	21.9%	33.6%	17.5%	25.21%
EBIT	\$ 14,760	\$ 16,679	\$ 28,715	\$ 45,804	\$ 53,885	
EBIT/Sales	0.17	0.15	0.22	0.26	0.26	21.20%
EBIT Growth		13.0%	72.2%	59.5%	17.6%	40.58%
Depreciation	\$ 1,169	\$ 3,480	\$ 5,070	\$ 5,695	\$ 9,447	
Depr/Sales	0.01	0.03	0.04	0.03	0.05	3.23%
Change in Working Capital	\$ 4,006	\$ 4,353	\$ 3,707	\$ 11,696		
	4.7%	18.4%	15.5%	26.3%		20.06%
Capex	\$ 822	\$ 6,027	\$ 5,719	\$ 3,738	\$ 2,060	
Capex/Sales	0.01	0.06	0.04	0.02	0.01	2.78%
Assets	\$ 643,664	\$ 719,997	\$ 920,707	\$ 2,741,379	\$ 3,060,988	
Asset Growth		11.9%	27.9%	197.7%	11.7%	17.1%
Depr/Assets	0.002	0.005	0.006	0.002	0.003	0.004

### Assumptions

Capital Expenditures	3%*208,347/12.9	0.452
Depreciation	.0039 * Assets	0.920
Depreciation Growth Rate		17%
Assets/Share		237.29

Year	Revenues	Earnings (Gross)	Cap. Exp.	Deprn.	Change in NWC(3%)	FCFE	Beta	Re	PV of FCFE
2002	\$ 19.64	\$ 4.91	\$ 0.53	\$ 0.92	\$ 0.53	\$ 2.48	0.52	10.2%	\$ 2.25
2003	\$ 22.59	\$ 5.65	\$ 0.61	\$ 1.08	\$ 0.65	\$ 2.82	0.52	10.2%	\$ 2.32
2004	\$ 25.98	\$ 6.49	\$ 0.70	\$ 1.26	\$ 0.75	\$ 3.24	0.52	10.2%	\$ 2.42
2005	\$ 29.87	\$ 7.47	\$ 0.81	\$ 1.48	\$ 0.86	\$ 3.74	0.52	10.2%	\$ 2.54
2006	\$ 34.35	\$ 7.73	\$ 0.93	\$ 1.73	\$ 0.99	\$ 3.73	0.52	10.2%	\$ 2.30
2007	\$ 39.51	\$ 7.90	\$ 1.07	\$ 2.03	\$ 1.13	\$ 3.64	0.52	10.2%	\$ 2.03
2008	\$ 45.43	\$ 7.95	\$ 1.23	\$ 2.38	\$ 1.30	\$ 3.44	0.52	10.2%	\$ 1.74
2009	\$ 52.25	\$ 7.84	\$ 1.41	\$ 2.78	\$ 1.50	\$ 3.09	0.52	10.2%	\$ 1.42
2010	\$ 60.09	\$ 9.01	\$ 1.62	\$ 3.26	\$ 1.72	\$ 3.57	0.52	10.2%	\$ 1.49
2011	\$ 69.10	\$ 10.36	\$ 1.87	\$ 3.82	\$ 1.98	\$ 4.13	0.52	10.2%	\$ 1.56

\*All values are expressed in per share value

**Yr 10 Value \$ 57.31**

PV of High Growth	\$ 11.82
PV of Transitional Growth	\$ 8.25
PV of Terminal Value	\$ 21.70

**Stock Value \$ 41.77**

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1. [www.sec.gov](http://www.sec.gov) (10-k Report)
2. [finance.yahoo.com](http://finance.yahoo.com)
3. [www.firstbanks.com](http://www.firstbanks.com)
4. [www.quicken.com](http://www.quicken.com)
5. 2001 FBA Annual Report

### Valuation techniques:

“Valuation”, by Tom Copeland and others