

## DISCOUNTED CASH FLOW ANALYSIS - BULL CASE

### PARK AEROSPACE

AS OF JUNE 2, 2020

(Values in 000's of \$USD)

	HISTORY	PROJECT	PROJECT	PROJECT	PROJECT	PROJECT	HORIZON
	2020	2021	2022	2023	2024	2025	
Revenues	60,014	35,000	50,000	70,500	81,000	89,000	89,000
Cost of Sales	41,341	24,150	34,500	47,940	53,460	57,850	57,850
Gross Profit	18,673	10,850	15,500	22,560	27,540	31,150	31,150
Gross Margin (%)	31.1%	31.0%	31.0%	32.0%	34.0%	35.0%	35.0%
Sales Growth (%)		-41.7%	42.9%	41.0%	14.9%	9.9%	
Operating Expenses (excluding Depreciation and Amortization)	6,388	6,707	7,043	7,395	7,765	8,153	8,153
Depreciation Expense	1,544	2,000	2,000	2,500	2,500	2,500	2,500
Total Operating Expenses	7,932	8,707	9,043	9,895	10,265	10,653	10,653
Debt-Free Pre-Tax Income	10,741	2,143	6,457	12,665	17,275	20,497	20,497
% of Sales	17.9%	6.1%	12.9%	18.0%	21.3%	23.0%	23.0%
Tax	3,866	589	1,776	3,483	4,751	5,637	5,637
Debt-Free Net Income	6,875	1,553	4,681	9,182	12,525	14,860	14,860
Depreciation and Amortization	1,544	2,000	2,000	2,500	2,500	2,500	2,500
Capital Expenditures	(2,000)	(2,200)	(2,200)	(2,750)	(2,750)	(2,750)	(2,750)
Change in Working Capital	(503)	(528)	(554)	(582)	(611)	(642)	(642)
Adjusted Free Cash Flow	5,916	825	3,927	8,350	11,663	13,969	13,969
Horizon Value							239,795
Partial Period (Pro Rata)		1.00	1.00	1.00	1.00	1.00	
Period (Mid-Point Convention)		0.50	1.50	2.50	3.50	4.51	
Present Value Factor (Mid-Point Convention)	9.0%	0.9578	0.8784	0.8059	0.7394	0.6781	0.6781
Present Value		791	3,450	6,729	8,623	9,473	162,616
Sum of Present Values						9.6%	\$29,066
Horizon Value						90.4%	272,388
Less: Interest-Bearing Debt on Valuation Date						0.0%	0
<b>Aggregate Enterprise Value from Operations</b>						100.0%	<b>\$301,454</b>
<u>Plus: Value of Non-Operating Assets</u>							
Excess Working Capital (Cash)					\$122,355		
<b>Aggregate Value of equity</b>							<b>\$423,810</b>
Shares outstanding				20,385			

Fair Value Per Share

\$20.80

### DCF Assumptions Used and Sensitivity Analysis

#### Cost of Equity Build-up

30 Year Treasuries at Valuation Date	1.37%
Generic Stock Premium	5.00%
Small Stock Premium	2.50%
Company/Industry Risk	0.00%
Company/Industry Risk and Small Cap Premium	2.50%
Equity Discount Rate, rounded	8.90%

#### Weighted Average Cost of Capital

Equity	8.90%	100%	8.90%
Debt	5.40%	0%	0.00%
WACC, rounded			9.00%
Less: Long Term Growth Rate			3.00%
Debt-free Capitalization Rate, rounded			6.00%

#### Cost of Debt

Company's Cost of Debt	7.5%
Tax Rate	27.5%
After-Tax Cost of Debt, rounded	5.40%