

May 28, 2024

## **Hudson Chocolate Inc.**

Financial Model with Tuck-in Acquisitions

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# Hudson Chocolate Inc.

## Summary Values

### Discounted Cash Flow Valuation - Stand Alone <sup>(1)</sup>

Scenario	Enterprise Values		Equity Values		Equity per Share		Stock Price on:
	(\$ MM)		(\$ MM)		(\$ per share)		05/22/24 - \$40.25 Premium / (Discount)
Base Case Scenario	1,606	to 1,885	1,231	to 1,510	40.50	to 49.67	0.6% to 23.4%
Best Case Scenario	2,463	to 2,891	2,088	to 2,516	68.68	to 82.76	70.6% to 105.6%
Worst Case Scenario	779	to 912	404	to 537	13.30	to 17.67	(67.0%) to (56.1%)

### Discounted Cash Flow Valuation - Tuck-In M&A Impact <sup>(1)</sup>

Scenario	Enterprise Values		Equity Values		Equity per Share		Stock Price on:
	(\$ MM)		(\$ MM)		(\$ per share)		05/22/24 - \$40.25 Premium / (Discount)
Base Case Scenario	1,972	to 2,350	1,597	to 1,975	52.52	to 64.96	30.5% to 61.4%
Best Case Scenario	2,866	to 3,402	2,491	to 3,027	81.95	to 99.58	103.6% to 147.4%
Worst Case Scenario	1,107	to 1,331	732	to 956	24.08	to 31.45	(40.2%) to (21.9%)

<sup>(1)</sup> The Summary Enterprise Values on this page use a WACC of 8.0% and a terminal value growth rate of 2.0% at the low end of each range, and a WACC of 7.5% and a terminal value growth rate of 2.5% at the high end of each range.

# Hudson Chocolate Inc.

## Summary Values

### P/E Multiple Valuation - Stand Alone

Scenario	2024F EPS	P/E Multiple Range	Equity per Share	Stock Price on: 05/22/24 - \$40.25
	(\$ per share)		(\$ per share)	Premium / (Discount)
Base Case Scenario	1.46	22.0x to 28.0x	32.17 to 40.95	(20.1%) to 1.7%
Best Case Scenario	2.63	22.0x to 28.0x	57.92 to 73.72	43.9% to 83.1%
Worst Case Scenario	0.25	22.0x to 28.0x	5.46 to 6.95	(86.4%) to (82.7%)

### P/E Multiple Valuation - Tuck-In M&A Impact

Scenario	2024F EPS	P/E Multiple Range	Equity per Share	Stock Price on: 05/22/24 - \$40.25
	(\$ per share)		(\$ per share)	Premium / (Discount)
Base Case Scenario	1.87	22.0x to 28.0x	41.19 to 52.42	2.3% to 30.2%
Best Case Scenario	3.04	22.0x to 28.0x	66.86 to 85.09	66.1% to 111.4%
Worst Case Scenario	0.67	22.0x to 28.0x	14.66 to 18.65	(63.6%) to (53.7%)

# Hudson Chocolate Inc.

## Inputs and Assumptions

GENERAL	
- First year of forecast in financial model:	2024
- 5-year cash flow model discounted to December 31, 2023	
- Three scenarios have been used for Inflation, FX, Product Pricing, Sales Volume Growth and Cacao Prices	

PRODUCT PRICING		
- The product pricing cases used in the model are as follows:		
Pricing Case	2024 - 2028	Terminal Year
Base Case	Research Forecast	Implied Growth of Yr. 5
Best Case	+3%	Implied Growth of Yr. 5
Worst Case	(3%)	Implied Growth of Yr. 5

COSTS (excl. Cocoa)		
Cost Item	2024	Increases
Sugars	\$24.6 per Case	Inflation on a unit basis
Packaging	\$2.7 per Case	Inflation on a unit basis
Energy	\$41.0 MM	Inflation on a total \$ basis
Supplies	\$31.2 MM	Inflation on a total \$ basis
Operating Labour	\$66.4 MM	Inflation on a total \$ basis
Salaries & Benefits	\$8.2 MM	Inflation on a total \$ basis
Other	\$4.2 MM	Inflation on a total \$ basis
SG&A	\$45.2 MM	Inflation on a total \$ basis
Sales Discounts	2.0%	

OPERATIONS	
- Operating Days per Year:	350
- Maximum Production (000's Cases per day)	39.5

DEPRECIATION	
- Depreciation Methodology Used:	Straight Line
- Years remaining for depreciation of existing assets:	20 years
- Years used for depreciation of new assets:	25 years

EQUITY	
Stock Price - 05/22/24	\$40.25
Average Stock Price - 2023	\$37.85
Common Dividend Payout Rate	20.0%
Fully Diluted Shares O/S (MM) - Dec. 31, 2023	30.40

TAXES	
- Values are calculated assuming a share purchase	
- Interest Deductibility limit	30.0%
- NOL deduction limit	80.0%
- Include Depreciation in Interest test until	2022
- Tax rate assumed in the model:	21.0%
- Blended Tax Dep'n Rate assumed in the model:	15.0%
- Opening NOL balance (\$MM):	\$32.5
- Opening Tax Basis balance (\$MM):	\$580.8
- Interest Carry Forward balance (\$MM):	\$0.0

VALUATION	
- Cost of Equity	9.0%
- Low end of the discount rate (WACC) range:	7.0%
- The discount rate range used is 7.0% to 8.5%	
- Low end of the terminal value growth rate:	1.5%
- The terminal value growth rate range is 1.5% to 3.0%	

TERMINAL YEAR	
- EBITDA Margin is the avg. margin from 2024 to 2028	
- This EBITDA Margin is used to calculate EBITDA	
- Full cash taxes are paid (ie. no deferred taxes)	
- Capex is equal to 2028 maintenance Capex grown at inflation	
- Depreciation is equal to Capex	
- No changes in working capital	

# Hudson Chocolate Inc.

## Inputs and Assumptions

### CAPITAL EXPENDITURES (CAPEX)

- Capex has been assumed at \$50 million in 2024, \$55 million in 2025 and grown at inflation thereafter
- When productivity enhancing (strategic) capex is added, corresponding changes to the model's capacity and/or cost structure will need to be incorporated

(\$ millions)	2024	2025	2026	2027	2028	Term
Maintenance	50.0	55.0	56.1	57.5	58.9	60.4
Environmental	0.0	0.0	0.0	0.0	0.0	0.0
Strategic	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>\$50.0</b>	<b>\$55.0</b>	<b>\$56.1</b>	<b>\$57.5</b>	<b>\$58.9</b>	<b>\$60.4</b>

### EARNINGS ADJUSTMENTS (PRE-EBITDA)

(\$ millions)	2024	2025	2026	2027	2028
Adjustment 1	0.0	0.0	0.0	0.0	0.0
Adjustment 2	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>

### WORKING CAPITAL DAYS

(Days)	2024	2025	2026	2027	2028
Accounts Receivable	32.0	30.0	30.0	30.0	30.0
Inventories	40.0	38.0	37.0	37.0	37.0
Accounts Payable	27.0	28.0	29.0	29.0	29.0

### DEBT COVENANTS AND INTEREST RATES

Debt Covenants			Interest Rates	
- Net Debt / EBITDA	Tripped	< 2.5 x	- Interest rate earned on cash balances:	0.5%
- Interest Coverage (EBITDA / Interest)		> 2.0 x	- Interest rate on the Bank Revolver:	3.0%
- Interest Coverage ((EBITDA-CAPEX) / Int)		> 1.5 x	- Interest rate on the Senior Secured Term Debt:	3.5%
- Net Debt / Capitalization	Tripped	< 30.0%		

### CHANGE IN DEBT AND EQUITY

(\$ millions)	2024	2025	2026	2027	2028
Sr. Term Debt Issuance / (Repayment)	(\$70.0)	(\$60.0)	(\$30.0)	(\$30.0)	(\$30.0)
Common Stock Issuance / (Buy-back)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Stock Option Grants (MM)	0.5	0.5	0.0	0.0	0.0

## Hudson Chocolate Inc. M&A Assumptions

		<i>Projected</i>				
		<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
INCLUDE IMPACT OF M&A DEALS		Yes				
Cash Purchase Price (assumed to occur at the beginning of the year)		\$50.0	\$0.0	\$75.0	\$100.0	\$0.0
% Allocated to:						
	Amortization					
Tangible Assets (excluding Working Capital)	20 years	70.0%	70.0%	70.0%	70.0%	70.0%
Net Working Capital		10.0%	10.0%	10.0%	10.0%	10.0%
Identifiable Intangibles	15 years	5.0%	5.0%	5.0%	5.0%	5.0%
Goodwill		15.0%	15.0%	15.0%	15.0%	15.0%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Amount Allocated to:						
Tangible Assets (excluding Working Capital)		35.0	0.0	52.5	70.0	0.0
Net Working Capital		5.0	0.0	7.5	10.0	0.0
Identifiable Intangibles		2.5	0.0	3.8	5.0	0.0
Goodwill		7.5	0.0	11.3	15.0	0.0
<b>Total</b>		<b>\$50.0</b>	<b>\$0.0</b>	<b>\$75.0</b>	<b>\$100.0</b>	<b>\$0.0</b>
% Funded With:						
Cash / Revolver		60.0%	60.0%	60.0%	60.0%	60.0%
Equity from Management		10.0%	10.0%	10.0%	10.0%	10.0%
Equity from Investors		30.0%	30.0%	30.0%	30.0%	30.0%
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Amount Funded With:						
Cash / Revolver		30.0	0.0	45.0	60.0	0.0
Equity from Management		5.0	0.0	7.5	10.0	0.0
Equity from Investors		15.0	0.0	22.5	30.0	0.0
<b>Total</b>		<b>\$50.0</b>	<b>\$0.0</b>	<b>\$75.0</b>	<b>\$100.0</b>	<b>\$0.0</b>
Comments:						

## Hudson Chocolate Inc. M&A Assumptions (cont'd)

		Projected					
		2024	2025	2026	2027	2028	Term
Revenues:							
	Assets Acquired in 2024	75.0	80.0	85.0	85.0	85.0	
	Assets Acquired in 2025		0.0	0.0	0.0	0.0	
	Assets Acquired in 2026			100.0	105.0	105.0	
	Assets Acquired in 2027				120.0	120.0	
	Assets Acquired in 2028					0.0	
	Total	\$75.0	\$80.0	\$185.0	\$310.0	\$310.0	\$314.7
COGS (% of Acquired Revenues Above)							
	Assets Acquired in 2024	75.0%	75.0%	75.0%	75.0%	75.0%	
	Assets Acquired in 2025		0.0%	0.0%	0.0%	0.0%	
	Assets Acquired in 2026			80.0%	80.0%	80.0%	
	Assets Acquired in 2027				82.0%	80.0%	
	Assets Acquired in 2028					0.0%	
	Total	\$56.3	\$60.0	\$143.8	\$246.2	\$243.8	\$249.8
CAPEX							
	Assets Acquired in 2024	2.0	2.5	3.0	3.0	3.5	
	Assets Acquired in 2025		0.0	0.0	0.0	0.0	
	Assets Acquired in 2026			3.5	4.0	4.0	
	Assets Acquired in 2027				4.0	5.0	
	Assets Acquired in 2028					0.0	
	Total	\$2.0	\$2.5	\$6.5	\$11.0	\$12.5	\$12.8
Comments:							

<b>Amortization</b> 25 years
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# Hudson Chocolate Inc.

## Economic and Pricing Scenarios

**SCENARIO SWITCH:**    Base Case    ▼

<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>Term</u>
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### SALES SCENARIOS

#### Sales Price - \$/Case

	<b>86.1</b>	<b>88.0</b>	<b>90.4</b>	<b>92.8</b>	<b>94.8</b>	<b>96.8</b>
Base Case	86.1	88.0	90.4	92.8	94.8	96.8
Best Case: +3.0%	88.7	90.6	93.1	95.6	97.6	99.7
Worst Case: -3.0%	83.5	85.4	87.7	90.0	92.0	93.9

#### Sales Volume Growth

	<b>4.0%</b>	<b>3.5%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>
Base Case	4.0%	3.5%	3.0%	3.0%	3.0%	3.0%
Best Case	4.5%	4.5%	4.0%	4.0%	4.0%	4.0%
Worst Case	3.0%	3.0%	2.0%	2.0%	1.5%	2.0%

### ECONOMIC SCENARIOS

#### Cost Inflation

	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.5%</b>
Base Case	2.0%	2.0%	2.0%	2.5%	2.5%	2.5%
Best Case	1.8%	1.8%	1.8%	2.0%	2.0%	2.0%
Worst Case	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%

#### FX Rate - Peso / US\$

	<b>10.80</b>	<b>11.40</b>	<b>12.00</b>	<b>11.20</b>	<b>10.80</b>	<b>10.70</b>
Base Case	10.80	11.40	12.00	11.20	10.80	10.70
Best Case	11.00	11.60	12.20	11.50	11.20	11.00
Worst Case	10.60	11.20	11.80	11.00	10.60	10.50

#### Cacao Cost - Peso / Case

	<b>330.0</b>	<b>360.0</b>	<b>380.0</b>	<b>360.0</b>	<b>340.0</b>	<b>354.0</b>
Base Case	330.0	360.0	380.0	360.0	340.0	354.0
Best Case	325.0	350.0	367.0	350.0	330.0	344.4
Worst Case	335.0	365.0	385.0	365.0	345.0	359.0



# Hudson Chocolate Inc.

## Revenue Schedule

		<u>2021A</u>	<u>2022A</u>	<u>2023F</u>	<i>Projected</i>					<u>Term.</u>
					<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	
<b>Pricing</b>										
Gross Sales Price per Case	(\$/case)	82.1	83.7	85.1	86.1	88.0	90.4	92.8	94.8	96.8
Sales Price Growth	(%)	2.1%	1.9%	1.6%	1.2%	2.2%	2.7%	2.7%	2.2%	2.2%
Sales Discounts	(%)	2.9%	2.9%	2.3%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Sales Discounts	(\$/case)	2.4	2.4	2.0	1.7	1.8	1.8	1.9	1.9	1.9
<b>Net Sales Price per Case</b>	<b>(\$/case)</b>	<b>79.7</b>	<b>81.3</b>	<b>83.1</b>	<b>84.4</b>	<b>86.2</b>	<b>88.6</b>	<b>90.9</b>	<b>92.9</b>	<b>94.9</b>
<b>Capacity</b>										
Operating Days	(Days)	340.0	345.0	348.0	350.0	350.0	350.0	350.0	350.0	350.0
Maximum Units per Day	(000's cases / day)	39.3	39.3	39.5	39.5	39.5	39.5	39.5	39.5	39.5
<b>Annual Mfg. Capacity</b>	<b>(MM's cases)</b>	<b>13.3</b>	<b>13.5</b>	<b>13.7</b>	<b>13.8</b>	<b>13.8</b>	<b>13.8</b>	<b>13.8</b>	<b>13.8</b>	<b>13.8</b>
<b>Sales Volume</b>										
Sales Volume Growth	(%)		3.6%	3.5%	4.0%	3.5%	3.0%	3.0%	3.0%	3.0%
<b>Annual Sales Volume</b>	<b>(MM's cases)</b>	<b>11.0</b>	<b>11.4</b>	<b>11.8</b>	<b>12.3</b>	<b>12.7</b>	<b>13.1</b>	<b>13.5</b>	<b>13.8</b>	<b>13.8</b>
Capacity Utilization	(%)	82%	84%	86%	89%	92%	95%	97%	100%	100%
<b>Revenue</b>										
Gross Revenue	(\$ MM)	903.1	954.2	1,003.8	1,056.6	1,117.7	1,182.7	1,250.5	1,310.6	1,338.9
Sales Discounts	(\$ MM)	26.6	27.9	23.1	21.1	22.4	23.7	25.0	26.2	26.8
Acquisitions	(\$ MM)	-	-	-	75.0	80.0	185.0	310.0	310.0	314.7
<b>Net Revenue</b>	<b>(\$ MM)</b>	<b>876.5</b>	<b>926.3</b>	<b>980.7</b>	<b>1,110.5</b>	<b>1,175.4</b>	<b>1,344.0</b>	<b>1,535.5</b>	<b>1,594.4</b>	<b>1,626.7</b>

# Hudson Chocolate Inc.

## Costs of Production

		2021A	2022A	2023F	<i>Projected</i>				
					2024	2025	2026	2027	2028
Cost Inflation	(%)				2.0%	2.0%	2.0%	2.5%	2.5%
Exchange Rate	(Peso / US\$)	11.40	11.00	10.80	10.80	11.40	12.00	11.20	10.80
Sales Volume	(MM's cases)	11.0	11.4	11.8	12.3	12.7	13.1	13.5	13.8

### COSTS PER UNIT

#### Variable Costs

Cacao	(Peso /case)	302.0	280.0	310.0	330.0	360.0	380.0	360.0	340.0
Cacao	(\$/case)	26.5	25.5	28.7	30.6	31.6	31.7	32.1	31.5
Sugars	(\$/case)	23.0	24.0	24.0	24.6	25.1	25.6	26.2	26.9
Packaging	(\$/case)	2.3	2.4	2.5	2.7	2.8	2.8	2.9	3.0
<b>Total Variable Costs</b>	<b>(\$/case)</b>	<b>51.8</b>	<b>51.9</b>	<b>55.2</b>	<b>57.9</b>	<b>59.4</b>	<b>60.1</b>	<b>61.3</b>	<b>61.3</b>

#### Fixed Costs

Energy	(\$/case)	3.2	3.1	3.1	3.3	3.3	3.3	3.2	3.2
Supplies	(\$/case)	2.6	2.3	2.6	2.5	2.5	2.5	2.5	2.5
Operating Labour	(\$/case)	5.2	5.3	5.3	5.4	5.3	5.3	5.3	5.2
Salaries & Benefits	(\$/case)	0.6	0.6	0.7	0.7	0.7	0.7	0.6	0.6
Other	(\$/case)	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
<b>Total Fixed Costs</b>	<b>(\$/case)</b>	<b>11.8</b>	<b>11.7</b>	<b>12.0</b>	<b>12.3</b>	<b>12.1</b>	<b>12.0</b>	<b>12.0</b>	<b>11.9</b>

<b>Total Manufacturing Costs</b>	<b>(\$/case)</b>	<b>\$63.6</b>	<b>\$63.5</b>	<b>\$67.2</b>	<b>\$70.2</b>	<b>\$71.6</b>	<b>\$72.1</b>	<b>\$73.2</b>	<b>\$73.3</b>
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### COSTS IN MILLIONS

#### Variable Costs

Cacao	(\$ MM)	291.4	290.2	338.7	375.0	401.1	414.3	433.1	435.2
Sugars	(\$ MM)	253.0	273.6	283.2	301.9	318.7	334.8	353.5	371.7
Packaging	(\$ MM)	25.3	27.4	29.5	33.1	35.0	36.7	38.8	40.8
<b>Total Variable Costs</b>	<b>(\$ MM)</b>	<b>569.7</b>	<b>591.1</b>	<b>651.4</b>	<b>710.0</b>	<b>754.8</b>	<b>785.9</b>	<b>825.4</b>	<b>847.8</b>

#### Fixed Costs

Energy	(\$ MM)	35.0	35.8	37.0	41.0	41.8	42.7	43.7	44.8
Supplies	(\$ MM)	28.6	26.4	30.8	31.2	31.8	32.5	33.3	34.1
Operating Labour	(\$ MM)	57.0	60.4	62.4	66.4	67.7	69.1	70.8	72.6
Salaries & Benefits	(\$ MM)	7.0	7.4	7.8	8.2	8.4	8.5	8.7	9.0
Other	(\$ MM)	2.4	3.0	4.0	4.2	4.3	4.4	4.5	4.6
<b>Total Fixed Costs</b>	<b>(\$ MM)</b>	<b>130.0</b>	<b>133.0</b>	<b>142.0</b>	<b>151.0</b>	<b>154.0</b>	<b>157.1</b>	<b>161.0</b>	<b>165.1</b>

<b>Acquisitions</b>	<b>(\$ MM)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>56.3</b>	<b>60.0</b>	<b>143.8</b>	<b>246.2</b>	<b>243.8</b>
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<b>Total Manufacturing Costs</b>	<b>(\$ MM)</b>	<b>\$699.7</b>	<b>\$724.1</b>	<b>\$793.4</b>	<b>\$917.3</b>	<b>\$968.8</b>	<b>\$1,086.7</b>	<b>\$1,232.6</b>	<b>\$1,256.6</b>
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# Hudson Chocolate Inc.

## Income Statement

		2021A	2022A	2023F	Projected					Term.
					2024	2025	2026	2027	2028	
Sales Volume	(MM's cases)	11.0	11.4	11.8	12.3	12.7	13.1	13.5	13.8	13.8
Cost Inflation	(%)				2.0%	2.0%	2.0%	2.5%	2.5%	2.5%
<b>Revenue</b>										
Gross Revenue	(\$ MM)	903.1	954.2	1,003.8	1,056.6	1,117.7	1,182.7	1,250.5	1,310.6	1,338.9
Sales Discounts	(\$ MM)	26.6	27.9	23.1	21.1	22.4	23.7	25.0	26.2	26.8
Acquisitions	(\$ MM)	0.0	0.0	0.0	75.0	80.0	185.0	310.0	310.0	314.7
<b>Net Revenue</b>	<b>(\$ MM)</b>	<b>876.5</b>	<b>926.3</b>	<b>980.7</b>	<b>1,110.5</b>	<b>1,175.4</b>	<b>1,344.0</b>	<b>1,535.5</b>	<b>1,594.4</b>	<b>1,626.7</b>
Cost of Sales	(\$ MM)	699.7	724.1	793.4	917.3	968.8	1,086.7	1,232.6	1,256.6	
S,G & A	(\$ MM)	38.3	42.1	40.1	45.2	46.1	47.0	48.2	49.4	
<b>Total Costs</b>	<b>(\$ MM)</b>	<b>738.0</b>	<b>766.2</b>	<b>833.5</b>	<b>962.5</b>	<b>1,014.9</b>	<b>1,133.7</b>	<b>1,280.8</b>	<b>1,306.0</b>	
Adjustments	(\$ MM)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>EBITDA</b>	<b>(\$ MM)</b>	<b>138.5</b>	<b>160.1</b>	<b>147.2</b>	<b>148.0</b>	<b>160.5</b>	<b>210.3</b>	<b>254.7</b>	<b>288.4</b>	<b>251.5</b>
Depreciation	(\$ MM)	54.8	55.2	56.4	62.2	64.3	69.4	75.5	78.3	73.2
Amortization of Intangibles	(\$ MM)	0.0	0.0	0.0	0.2	0.2	0.4	0.8	0.8	
<b>EBIT</b>	<b>(\$ MM)</b>	<b>83.7</b>	<b>104.9</b>	<b>90.8</b>	<b>85.7</b>	<b>96.0</b>	<b>140.5</b>	<b>178.4</b>	<b>209.4</b>	<b>178.3</b>
Interest Expense	(\$ MM)	17.2	17.0	16.4	12.5	10.5	8.5	7.1	5.8	0.0
<b>EBT</b>	<b>(\$ MM)</b>	<b>66.5</b>	<b>87.9</b>	<b>74.4</b>	<b>73.2</b>	<b>85.5</b>	<b>132.0</b>	<b>171.3</b>	<b>203.6</b>	<b>178.3</b>
Current Income Taxes	(\$ MM)	0.0	0.0	0.0	1.9	12.5	23.4	31.8	38.9	37.4
Deferred Income Taxes	(\$ MM)	23.3	30.7	26.0	13.4	5.5	4.3	4.2	3.9	0.0
<b>Total Income Taxes</b>	<b>(\$ MM)</b>	<b>23.3</b>	<b>30.7</b>	<b>26.0</b>	<b>15.4</b>	<b>17.9</b>	<b>27.7</b>	<b>36.0</b>	<b>42.8</b>	<b>37.4</b>
<b>Net Income</b>	<b>(\$ MM)</b>	<b>\$43.2</b>	<b>\$57.2</b>	<b>\$48.4</b>	<b>\$57.8</b>	<b>\$67.5</b>	<b>\$104.3</b>	<b>\$135.3</b>	<b>\$160.9</b>	<b>\$140.8</b>
Average Diluted Shares O/S	(MM's)	30.4	30.5	30.5	30.9	31.6	32.2	32.9	33.2	33.2
<b>Earnings per Share</b>	<b>(\$ / share)</b>	<b>\$1.42</b>	<b>\$1.87</b>	<b>\$1.59</b>	<b>\$1.87</b>	<b>\$2.13</b>	<b>\$3.24</b>	<b>\$4.12</b>	<b>\$4.84</b>	<b>\$4.24</b>
<b>Margins</b>										
<i>EBITDA Margin</i>		15.8%	17.3%	15.0%	13.3%	13.7%	15.6%	16.6%	18.1%	15.5%
<i>EBIT Margin</i>		9.5%	11.3%	9.3%	7.7%	8.2%	10.5%	11.6%	13.1%	
<i>Return on Equity</i>				5.8%	6.4%	7.1%	9.8%	11.1%	12.0%	

# Hudson Chocolate Inc.

## Cash Flow Statement

(\$ Millions)

	2021A	2022A	2023F	<i>Projected</i>				
				2024	2025	2026	2027	2028
<b>Operating Activities</b>								
Net Income	43.2	57.2	48.4	57.8	67.5	104.3	135.3	160.9
Depreciation	54.8	55.2	56.4	62.2	64.3	69.4	75.5	78.3
Amortization of Intangibles	0.0	0.0	0.0	0.2	0.2	0.4	0.8	0.8
Deferred Income Taxes	23.3	30.7	26.0	13.4	5.5	4.3	4.2	3.9
Changes in working capital	0.0	0.0	0.0	(4.5)	6.5	(3.6)	(8.9)	(4.9)
<b>Operating Cash Flow</b>	<b>121.3</b>	<b>143.1</b>	<b>130.8</b>	<b>129.1</b>	<b>144.0</b>	<b>174.7</b>	<b>206.8</b>	<b>238.8</b>
<b>Investing Activities</b>								
CAPEX	(53.9)	(52.5)	(56.1)	(50.0)	(55.0)	(56.1)	(57.5)	(58.9)
Acquisitions (Purchase Price)	0.0	0.0	0.0	(50.0)	0.0	(75.0)	(100.0)	0.0
Capex (from Acquisitions)	0.0	0.0	0.0	(2.0)	(2.5)	(6.5)	(11.0)	(12.5)
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Investing Cash Flow</b>	<b>(53.9)</b>	<b>(52.5)</b>	<b>(56.1)</b>	<b>(102.0)</b>	<b>(57.5)</b>	<b>(137.6)</b>	<b>(168.5)</b>	<b>(71.4)</b>
<b>Financing Activities</b>								
Revolver Issuance / (Repayment)				29.4	(13.0)	(16.3)	(0.1)	0.0
Term Debt Issuance / (Repayment)				(70.0)	(60.0)	(30.0)	(30.0)	(30.0)
Common Shares Issuance/ (Buy-Back)				0.0	0.0	0.0	0.0	0.0
Common Share Issuance for Acquisitions				20.0	0.0	30.0	40.0	0.0
Common Dividends				(11.6)	(13.5)	(20.9)	(27.1)	(32.2)
<b>Financing Cash Flow</b>				<b>(32.1)</b>	<b>(86.5)</b>	<b>(37.1)</b>	<b>(17.2)</b>	<b>(62.2)</b>
Change in the Cash Position				(5.0)	0.0	0.0	21.1	105.2
Beginning Cash				<u>5.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>21.1</u>
Ending Cash				0.0	0.0	0.0	21.1	126.3

# Hudson Chocolate Inc.

## Balance Sheet

(\$ Millions)

		<i>Projected</i>				
	<u>2023F</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
<b>ASSETS</b>						
Cash	5.0	0.0	0.0	0.0	21.1	126.3
Accounts Receivable	92.2	97.1	96.6	110.5	126.2	130.7
Inventory	88.2	100.2	100.9	110.2	124.9	127.0
Other	1.4	1.4	1.4	1.4	1.4	1.4
<b>Total Current Assets</b>	<b>186.8</b>	<b>198.7</b>	<b>198.9</b>	<b>222.0</b>	<b>273.7</b>	<b>385.5</b>
Net PP&E	1,187.2	1,212.1	1,205.2	1,250.9	1,314.0	1,307.1
Intangibles	0.0	2.3	2.2	5.5	9.8	9.0
Goodwill	0.0	7.5	7.5	18.8	33.8	33.8
Other	11.0	11.0	11.0	11.0	11.0	11.0
<b>Total Assets</b>	<b>\$1,385.0</b>	<b>\$1,431.6</b>	<b>\$1,424.7</b>	<b>\$1,508.2</b>	<b>\$1,642.1</b>	<b>\$1,746.3</b>
<b>LIABILITIES AND EQUITY</b>						
Bank Debt - Revolver	0.0	29.4	16.4	0.1	0.0	0.0
Accounts Payable	60.2	67.7	74.3	86.3	97.9	99.6
Other	27.5	27.5	27.5	27.5	27.5	27.5
<b>Total Current Liabilities</b>	<b>87.7</b>	<b>124.6</b>	<b>118.2</b>	<b>114.0</b>	<b>125.4</b>	<b>127.1</b>
Deferred Income Taxes	84.6	98.0	103.5	107.8	112.0	115.9
Senior Secured Term Debt	380.0	310.0	250.0	220.0	190.0	160.0
<b>Total Long Term Liabilities</b>	<b>464.6</b>	<b>408.0</b>	<b>353.5</b>	<b>327.8</b>	<b>302.0</b>	<b>275.9</b>
<b>Total Liabilities</b>	<b>552.3</b>	<b>532.7</b>	<b>471.8</b>	<b>441.8</b>	<b>427.4</b>	<b>402.9</b>
Common Shares	396.8	416.8	416.8	446.8	486.8	486.8
Retained Earnings	435.9	482.2	536.2	619.6	727.9	856.6
<b>Shareholder's Equity</b>	<b>832.7</b>	<b>899.0</b>	<b>953.0</b>	<b>1,066.4</b>	<b>1,214.7</b>	<b>1,343.4</b>
<b>Total Liabilities and Equity</b>	<b>\$1,385.0</b>	<b>\$1,431.6</b>	<b>\$1,424.7</b>	<b>\$1,508.2</b>	<b>\$1,642.1</b>	<b>\$1,746.3</b>
<i>Check</i>	<i>0.000</i>	<i>0.000</i>	<i>0.000</i>	<i>0.000</i>	<i>0.000</i>	<i>0.000</i>

# Hudson Chocolate Inc.

## Depreciation & Amortization Schedule

(\$ Millions)

		<u>2021A</u>	<u>2022A</u>	<u>2023F</u>	<i>Projected</i>				
					<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Years Remaining on Existing Assets:	20								
Depreciation Years on New Assets:	25								
Depreciation to Existing Assets		\$54.8	\$55.2	\$56.4	\$59.4	\$59.4	\$59.4	\$59.4	\$59.4
<b>CAPEX</b>									
2024	\$50.0				1.0	2.0	2.0	2.0	2.0
2025	\$55.0					1.1	2.2	2.2	2.2
2026	\$56.1						1.1	2.2	2.2
2027	\$57.5							1.2	2.3
2028	\$58.9								1.2
Total Depreciation		\$54.8	\$55.2	\$56.4	\$60.4	\$62.5	\$64.7	\$67.0	\$69.3

# Hudson Chocolate Inc.

## Depreciation & Amortization Schedule (Part 2)

(\$ Millions)

			2021A	2022A	2023F	Projected				
						2024	2025	2026	2027	2028
Years Remaining on Acq'd Assets:			20							
Depreciation Years on Acq'n CAPEX:			25							
Acquired Tangible Assets (excl. WC)			0.0	0.0	0.0	35.0	0.0	52.5	70.0	0.0
Capex (from Acquisitions)			0.0	0.0	0.0	2.0	2.5	6.5	11.0	12.5
Total Fixed Asset Additions from Acquisitions			0.0	0.0	0.0	37.0	2.5	59.0	81.0	12.5
Depreciation to Acquired Tangible Assets			0.0	0.0	0.0	1.8	1.8	4.4	7.9	7.9
CAPEX										
2024	\$2.0					0.0	0.1	0.1	0.1	0.1
2025	\$2.5						0.1	0.1	0.1	0.1
2026	\$6.5							0.1	0.3	0.3
2027	\$11.0								0.2	0.4
2028	\$12.5									0.3
Total Depreciation			\$0.0	\$0.0	\$0.0	\$1.8	\$1.9	\$4.7	\$8.5	\$9.0
Intangible Assets										
Years Remaining on Int. Assets:			15							
Amount Outstanding - Beginning						0.0	2.5	2.5	6.3	11.3
Int. Assets Added from Acquisitions						2.5	0.0	3.8	5.0	0.0
Amount Outstanding - Ending					0.0	2.5	2.5	6.3	11.3	11.3
Amortization on Acquired Intangible Assets						0.2	0.2	0.4	0.8	0.8
Goodwill										
Amount Outstanding - Beginning						0.0	7.5	7.5	18.8	33.8
Goodwill Added from Acquisitions						7.5	0.0	11.3	15.0	0.0
Amount Outstanding - Ending					0.0	7.5	7.5	18.8	33.8	33.8
Total Depreciation										
Depreciation (Assets + Acquired Tangible)			54.8	55.2	56.4	62.2	64.3	69.4	75.5	78.3
Amortization (Intangible Assets)			0.0	0.0	0.0	0.2	0.2	0.4	0.8	0.8
Total Depreciation			\$54.8	\$55.2	\$56.4	\$62.3	\$64.5	\$69.8	\$76.2	\$79.0

## Hudson Chocolate Inc.

### Income Tax Schedule (Part 1)

(\$ Millions)

		<i>Projected</i>				
		<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
NOL Deduction Limit		80.0%				
<b>Earnings Before Taxes (as is on I/S)</b>	<b>A</b>	<b>\$73.2</b>	<b>\$85.5</b>	<b>\$132.0</b>	<b>\$171.3</b>	<b>\$203.6</b>
Add Back GAAP Depreciation		62.2	64.3	69.4	75.5	78.3
Deduct Tax Depreciation		93.6	90.4	89.8	95.4	96.8
<b>Earnings Before NOL after Tax Dep'n</b>		<b>41.7</b>	<b>59.4</b>	<b>111.6</b>	<b>151.4</b>	<b>185.1</b>
<b>Net Operating Loss Schedule</b>						
Existing NOL (Initial Balance)		32.5	0.0	0.0	0.0	0.0
Existing NOL Used		32.5	0.0	0.0	0.0	0.0
<b>Earnings after use of Existing NOL</b>		<b>9.2</b>	<b>59.4</b>	<b>111.6</b>	<b>151.4</b>	<b>185.1</b>
Newly Created NOL - Beginning		0.0	0.0	0.0	0.0	0.0
Newly Created NOL Used / (Added) - to a Limit of 80.0% of Earnings Before NOL		0.0	0.0	0.0	0.0	0.0
Newly Created NOL - Ending		0.0	0.0	0.0	0.0	0.0
Remaining Existing NOL		0.0	0.0	0.0	0.0	0.0
<b>Total NOL Available</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>EBT (after Tax Dep'n and NOLs before Interest Adjustment)</b>		<b>\$9.2</b>	<b>\$59.4</b>	<b>\$111.6</b>	<b>\$151.4</b>	<b>\$185.1</b>

**Tax Depreciation Schedule**

Blended Tax Dep'n Rate	15.0%	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Tax Basis Beginning	<b>B</b>	580.8	574.2	541.2	566.5	609.6
Plus: New Capex	<b>C</b>	87.0	57.5	115.1	138.5	71.4
1/2 of New Capex		43.5	28.8	57.6	69.3	35.7
Tax Basis After New Capex (1/2 Year)		624.3	602.9	598.8	635.8	645.4
Less: Tax Dep'n Available and Used	<b>D</b>	93.6	90.4	89.8	95.4	96.8
<b>Tax Basis Ending (B + C - D)</b>		<b>\$574.2</b>	<b>\$541.2</b>	<b>\$566.5</b>	<b>\$609.6</b>	<b>\$584.3</b>



# Hudson Chocolate Inc.

## Income Tax Schedule (Part 2)

(\$ Millions)

		<i>Projected</i>				
		<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Interest Deductibility limit	30.0%					
Include Depreciation in Interest test until	2022					
Tax Rate	21.0%					
<b>Adjusted Taxable Income for Interest Deduction</b>						
EBT (after Tax Dep'n and NOLs before Interest Adjustment)		9.2	59.4	111.6	151.4	185.1
Less: Interest Income		(0.0)	0.0	0.0	(0.1)	(0.4)
Add: Interest Expense		12.5	10.5	8.5	7.2	6.1
Add: NOL Used		32.5	0.0	0.0	0.0	0.0
Add: Tax Depreciation until 2022		0.0	0.0	0.0	0.0	0.0
<b>Adjusted Taxable Income</b>		<b>\$54.2</b>	<b>\$69.9</b>	<b>\$120.0</b>	<b>\$158.6</b>	<b>\$190.9</b>
Allowable Interest Deduction (30.0% of Adjusted Taxable Income)		16.3	21.0	36.0	47.6	57.3
Add: Interest Income		0.0	0.0	0.0	0.1	0.4
<b>Gross Interest Expense Available</b>		<b>\$16.3</b>	<b>\$21.0</b>	<b>\$36.0</b>	<b>\$47.6</b>	<b>\$57.6</b>
Actual Interest Expense		12.5	10.5	8.5	7.2	6.1
Excess Carried Forward		0.0	0.0	0.0	0.0	0.0
Carry Forwards Applied		0.0	0.0	0.0	0.0	0.0
<b>Total Interest Expense for Tax Purposes</b>		<b>\$12.5</b>	<b>\$10.5</b>	<b>\$8.5</b>	<b>\$7.2</b>	<b>\$6.1</b>
Interest Carry Forward Beginning		0.0	0.0	0.0	0.0	0.0
Additions/(Reductions)		0.0	0.0	0.0	0.0	0.0
Interest Carry Forward Ending		<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>Earnings Before Taxes (as is on I/S)</b>		<b>\$73.2</b>	<b>\$85.5</b>	<b>\$132.0</b>	<b>\$171.3</b>	<b>\$203.6</b>
Add: Accounting Depreciation		62.2	64.3	69.4	75.5	78.3
Deduct: Tax Depreciation		(93.6)	(90.4)	(89.8)	(95.4)	(96.8)
Deduct: NOL Used		(32.5)	0.0	0.0	0.0	0.0
Add: Net Interest Expense		12.5	10.5	8.5	7.1	5.8
Add: Interest Income		0.0	0.0	0.0	0.1	0.4
Deduct: Total Interest Expense for Tax Purposes		(12.5)	(10.5)	(8.5)	(7.2)	(6.1)
<b>EBT After Deductions</b>	<b>E</b>	<b>\$9.2</b>	<b>\$59.4</b>	<b>\$111.6</b>	<b>\$151.4</b>	<b>\$185.1</b>
Accounting Taxes (21% of A)		15.4	17.9	27.7	36.0	42.8
<b>Taxes as Appearing on Income Statement</b>						
Current Tax (21% of E)		1.9	12.5	23.4	31.8	38.9
Increase (Decrease) in Deferred Income Taxes		13.4	5.5	4.3	4.2	3.9
<b>Total Income Taxes (Same as Accounting Taxes Above)</b>		<b>15.4</b>	<b>17.9</b>	<b>27.7</b>	<b>36.0</b>	<b>42.8</b>

# Hudson Chocolate Inc.

## Working Capital Schedule

(\$ Millions)

			Projected					
		2022A	2023F	2024	2025	2026	2027	2028
Days per Year	(days)		365	366	365	365	365	366
Income Statement Items								
Net Revenue	(\$ MM)		980.7	1,110.5	1,175.4	1,344.0	1,535.5	1,594.4
Cost of Sales	(\$ MM)		793.4	917.3	968.8	1,086.7	1,232.6	1,256.6
Days In								
Accounts Receivable	(days)		34.3	32.0	30.0	30.0	30.0	30.0
Inventories	(days)		40.6	40.0	38.0	37.0	37.0	37.0
Accounts Payable	(days)		27.7	27.0	28.0	29.0	29.0	29.0
Account Balances								
Accounts Receivable	(\$ MM)		92.2	97.1	96.6	110.5	126.2	130.7
Inventories	(\$ MM)		88.2	100.2	100.9	110.2	124.9	127.0
Accounts Payable	(\$ MM)		60.2	67.7	74.3	86.3	97.9	99.6
Net Working Capital	(\$ MM)		120.2	129.7	123.1	134.3	153.2	158.2
Change in WC (pre-Acq.)	(\$ MM)			(9.5)	6.5	(11.1)	(18.9)	(4.9)
Acquired Net WC	(\$ MM)			5.0	0.0	7.5	10.0	0.0
Change in Working Capital	(\$ MM)			(\$4.5)	\$6.5	(\$3.6)	(\$8.9)	(\$4.9)

# Hudson Chocolate Inc.

## Debt and Interest Schedule

(\$ Millions)

		<i>Projected</i>				
	<u>2023F</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
<b>FINANCING COMPONENT</b>						
<b>Cash</b>						
Amount Outstanding - Beginning		5.0	0.0	0.0	0.0	21.1
Change in Cash		(5.0)	0.0	0.0	21.1	105.2
Amount Outstanding - Ending	\$5.0	\$0.0	\$0.0	\$0.0	\$21.1	\$126.3
Interest Rate		0.5%	0.5%	0.5%	0.5%	0.5%
<b>Annual Interest Income</b>		<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.1</b>	<b>\$0.4</b>
<b>Revolver</b>						
Operating Cash Flow		129.1	144.0	174.7	206.8	238.8
Investing Cash Flow		(102.0)	(57.5)	(137.6)	(168.5)	(71.4)
Mandatory Debt Repayments		(70.0)	(60.0)	(30.0)	(30.0)	(30.0)
Equity Issuance		20.0	0.0	30.0	40.0	0.0
Dividends		(11.6)	(13.5)	(20.9)	(27.1)	(32.2)
<b>FCF After Mandatory Debt Repayment and Dividend</b>		<b>(\$34.4)</b>	<b>\$13.0</b>	<b>\$16.3</b>	<b>\$21.2</b>	<b>\$105.2</b>
Revolver Outstanding - Beginning		0.0	29.4	16.4	0.1	0.0
Additions / (Repayments)		29.4	(13.0)	(16.3)	(0.1)	0.0
Revolver Outstanding - Ending	\$0.0	\$29.4	\$16.4	\$0.1	\$0.0	\$0.0
Interest Rate		3.0%	3.0%	3.0%	3.0%	3.0%
<b>Annual Interest Expense</b>		<b>\$0.4</b>	<b>\$0.7</b>	<b>\$0.2</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>Senior Secured Term Debt</b>						
Amount Outstanding - Beginning		380.0	310.0	250.0	220.0	190.0
Additions / (Repayments)		(70.0)	(60.0)	(30.0)	(30.0)	(30.0)
Amount Outstanding - Ending	\$380.0	\$310.0	\$250.0	\$220.0	\$190.0	\$160.0
Interest Rate		3.5%	3.5%	3.5%	3.5%	3.5%
<b>Annual Interest Expense</b>		<b>\$12.1</b>	<b>\$9.8</b>	<b>\$8.2</b>	<b>\$7.2</b>	<b>\$6.1</b>
<b>Net Interest Expense</b>		<b>\$12.5</b>	<b>\$10.5</b>	<b>\$8.5</b>	<b>\$7.1</b>	<b>\$5.8</b>

## Hudson Chocolate Inc.

### Shareholders' Equity Schedule

(\$ Millions)

		<i>Projected</i>				
	<u>2023F</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
<b>Common Shares</b>						
Amount Outstanding - Beginning		396.8	416.8	416.8	446.8	486.8
New Issuance / (Buy-Back)		0.0	0.0	0.0	0.0	0.0
Equity from Management		5.0	0.0	7.5	10.0	0.0
Equity from Investors		15.0	0.0	22.5	30.0	0.0
Amount Outstanding - Ending	\$396.8	\$416.8	\$416.8	\$446.8	\$486.8	\$486.8
Dividend Payout Rate		20.0%	20.0%	20.0%	20.0%	20.0%
Net Income		57.8	67.5	104.3	135.3	160.9
<b>Common Dividend</b>		<b>\$11.6</b>	<b>\$13.5</b>	<b>\$20.9</b>	<b>\$27.1</b>	<b>\$32.2</b>
<b>Retained Earnings</b>						
Amount Outstanding - Beginning		435.9	482.2	536.2	619.6	727.9
Net Income		57.8	67.5	104.3	135.3	160.9
Common Dividend		(11.6)	(13.5)	(20.9)	(27.1)	(32.2)
<b>Amount Outstanding - Ending</b>	<b>\$435.9</b>	<b>\$482.2</b>	<b>\$536.2</b>	<b>\$619.6</b>	<b>\$727.9</b>	<b>\$856.6</b>
<b>Shares Outstanding</b>						
Cost of Equity		9.0%	9.0%	9.0%	9.0%	9.0%
Average Stock Price	\$37.85	\$41.26	\$44.97	\$49.02	\$53.43	\$58.24
Fully Diluted Shares O/S (MM) - Beginning		30.4	31.4	31.9	32.5	33.2
New Issuance / (Buy-Back)		0.5	0.0	0.6	0.7	0.0
Stock Option Grants		0.5	0.5	0.0	0.0	0.0
Fully Diluted Shares O/S (MM) - Ending	30.4	31.4	31.9	32.5	33.2	33.2
<b>Average Fully Diluted Shares O/S</b>		<b>30.9</b>	<b>31.6</b>	<b>32.2</b>	<b>32.9</b>	<b>33.2</b>

# Hudson Chocolate Inc.

## Credit Statistics and Covenants

(\$ Millions)

	2023F	Projected				
		2024	2025	2026	2027	2028
Credit Statistic Values						
EBITDA	\$147.2	\$148.0	\$160.5	\$210.3	\$254.7	\$288.4
Capital Expenditures	56.1	52.0	57.5	62.6	68.5	71.4
Total Debt	380.0	339.4	266.4	220.1	190.0	160.0
Net Debt	375.0	339.4	266.4	220.1	168.9	33.7
Interest Expense	16.4	12.5	10.5	8.5	7.1	5.8
Total Book Capitalization	1,207.7	1,238.4	1,219.4	1,286.6	1,383.6	1,377.0

**Consolidated Ratios**

Net Debt / EBITDA	<b>Covenant</b> <b>&lt; 2.5 x</b>	<b>2.55 x</b>	2.29 x	1.66 x	1.05 x	0.66 x	0.12 x
EBITDA Cushion		(\$2.8)	\$12.3	\$53.9	\$122.2	\$187.1	\$274.9
Interest Coverage (EBITDA / Interest)	<b>Covenant</b> <b>&gt; 2.0 x</b>	8.98 x	11.84 x	15.30 x	24.82 x	35.75 x	50.10 x
EBITDA Cushion		\$114.4	\$123.0	\$139.5	\$193.3	\$240.4	\$276.9
Interest Coverage ((EBITDA - CAPEX) / Int.)	<b>Covenant</b> <b>&gt; 1.5 x</b>	5.55 x	7.68 x	9.82 x	17.43 x	26.13 x	37.69 x
EBITDA Cushion		\$66.5	\$77.3	\$87.2	\$135.0	\$175.5	\$208.3
Net Debt / Capitalization	<b>Covenant</b> <b>&lt; 30.0%</b>	<b>31.1%</b>	27.4%	21.8%	17.1%	12.2%	2.4%

# Hudson Chocolate Inc.

## Income Tax Schedule for Calculating UFCF

(\$ Millions)

Tax Rate		21.0%					
NOL Deduction Limit		80.0%					
			<i>Projected</i>				
			<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
<b>Earnings Before INTEREST and Taxes</b>	<b>A</b>		<b>\$85.7</b>	<b>\$96.0</b>	<b>\$140.5</b>	<b>\$178.4</b>	<b>\$209.4</b>
Add Back GAAP Depreciation			62.2	64.3	69.4	75.5	78.3
Deduct Tax Depreciation			93.6	90.4	89.8	95.4	96.8
<b>Earnings Before NOL after Tax Dep'n</b>			<b>54.2</b>	<b>69.9</b>	<b>120.0</b>	<b>158.6</b>	<b>190.9</b>
<b>Net Operating Loss Schedule</b>							
Existing NOL (Initial Balance)			32.5	0.0	0.0	0.0	0.0
Existing NOL Used			32.5	0.0	0.0	0.0	0.0
<b>Earnings after use of Existing NOL</b>			<b>21.7</b>	<b>69.9</b>	<b>120.0</b>	<b>158.6</b>	<b>190.9</b>
Newly Created NOL - Beginning			0.0	0.0	0.0	0.0	0.0
Newly Created NOL Used / (Added) - to a Limit of 80.0% of Earnings Before NOL			0.0	0.0	0.0	0.0	0.0
Newly Created NOL - Ending			0.0	0.0	0.0	0.0	0.0
Remaining Existing NOL			0.0	0.0	0.0	0.0	0.0
<b>Total NOL Available</b>			<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>EBT After NOL</b>	<b>B</b>		<b>\$21.7</b>	<b>\$69.9</b>	<b>\$120.0</b>	<b>\$158.6</b>	<b>\$190.9</b>
Accounting Taxes (21.0% of A)			18.0	20.2	29.5	37.5	44.0
<b>Taxes as Appearing on Income Statement</b>							
Current Tax (21.0% of B)			4.6	14.7	25.2	33.3	40.1
Increase (Decrease) in Deferred Income Taxes			13.4	5.5	4.3	4.2	3.9
<b>Total Income Taxes (Same as Accounting Taxes Above)</b>			<b>18.0</b>	<b>20.2</b>	<b>29.5</b>	<b>37.5</b>	<b>44.0</b>
<b>Tax Depreciation Schedule</b>							
Blended Tax Dep'n Rate		15.0%	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Tax Basis Beginning	<b>C</b>		580.8	574.2	541.2	566.5	609.6
Plus: New Capex	<b>D</b>		87.0	57.5	115.1	138.5	71.4
1/2 of New Capex			43.5	28.8	57.6	69.3	35.7
Tax Basis After New Capex (1/2 Year)			624.3	602.9	598.8	635.8	645.4
Less: Tax Dep'n Available and Used	<b>E</b>		93.6	90.4	89.8	95.4	96.8
<b>Tax Basis Ending (C + D - E)</b>			<b>\$574.2</b>	<b>\$541.2</b>	<b>\$566.5</b>	<b>\$609.6</b>	<b>\$584.3</b>

# Hudson Chocolate Inc.

## Unlevered Free Cash Flow Schedule

(\$ Millions)

	<i>Projected</i>					<u>Term.</u>
	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	
<b>Unlevered Free Cash Flow</b>						
EBITDA	148.0	160.5	210.3	254.7	288.4	251.5
Current Taxes	(4.6)	(14.7)	(25.2)	(33.3)	(40.1)	(37.4)
Changes in working capital	(4.5)	6.5	(3.6)	(8.9)	(4.9)	0.0
Acquisitions	(50.0)	0.0	(75.0)	(100.0)	0.0	0.0
CAPEX	(52.0)	(57.5)	(62.6)	(68.5)	(71.4)	(73.2)
<b>Unlevered Free Cash Flow (DCF Valuation)</b>	<b>\$37.0</b>	<b>\$94.8</b>	<b>\$43.8</b>	<b>\$43.9</b>	<b>\$172.0</b>	<b>\$140.8</b>
<b>CHECK CALCULATION ON UFCF</b>						
<b>Unlevered Free Cash Flow</b>						
Net Income	57.8	67.5	104.3	135.3	160.9	140.8
Depreciation	62.2	64.3	69.4	75.5	78.3	73.2
Amortization of Intangibles	0.2	0.2	0.4	0.8	0.8	0.0
Deferred Income Taxes	13.4	5.5	4.3	4.2	3.9	0.0
Interest Expense	12.5	10.5	8.5	7.1	5.8	0.0
Tax Shelter on Interest Expense	(2.6)	(2.2)	(1.8)	(1.5)	(1.2)	0.0
Changes in working capital	(4.5)	6.5	(3.6)	(8.9)	(4.9)	0.0
Acquisitions	(50.0)	0.0	(75.0)	(100.0)	0.0	0.0
CAPEX	(52.0)	(57.5)	(62.6)	(68.5)	(71.4)	(73.2)
<b>Unlevered Free Cash Flow</b>	<b>37.0</b>	<b>94.8</b>	<b>43.8</b>	<b>43.9</b>	<b>172.0</b>	<b>140.8</b>
<i>Check</i>	<i>0.000</i>	<i>0.000</i>	<i>0.000</i>	<i>0.000</i>	<i>0.000</i>	<i>0.000</i>

## Hudson Chocolate Inc.

## DCF Valuation Schedule

(\$ Millions, except per share amounts)

WACC	Terminal Value Growth Rate								
	1.5%		2.0%		2.5%		3.0%		
7.0%	PV of Cash Flows	320	14%	320	13%	320	12%	320	11%
	PV of Terminal Year	1,889	86%	2,077	87%	2,308	88%	2,597	89%
	Enterprise Value	\$2,208	100%	2,397	100%	2,628	100%	2,917	100%
	Less Net Debt (12/31/23)	375		375		375		375	
	Equity Value	\$1,833		\$2,022		\$2,253		\$2,542	
	Shares O/S (MM) - (12/31/23)	30.40		30.40		30.40		30.40	
	Equity Value per Share	\$60.31		\$66.52		\$74.12		\$83.61	
7.5%	PV of Cash Flows	316	16%	316	15%	316	13%	316	12%
	PV of Terminal Year	1,695	84%	1,849	85%	2,034	87%	2,260	88%
	Enterprise Value	2,011	100%	2,165	100%	2,350	100%	2,576	100%
	Less Net Debt (12/31/23)	375		375		375		375	
	Equity Value	\$1,636		\$1,790		\$1,975		\$2,201	
	Shares O/S (MM) - (12/31/23)	30.40		30.40		30.40		30.40	
	Equity Value per Share	\$53.81		\$58.88		\$64.96		\$72.40	
8.0%	PV of Cash Flows	311	17%	311	16%	311	15%	311	14%
	PV of Terminal Year	1,532	83%	1,660	84%	1,811	85%	1,992	86%
	Enterprise Value	1,844	100%	1,972	100%	2,123	100%	2,304	100%
	Less Net Debt (12/31/23)	375		375		375		375	
	Equity Value	\$1,469		\$1,597		\$1,748		\$1,929	
	Shares O/S (MM) - (12/31/23)	30.40		30.40		30.40		30.40	
	Equity Value per Share	\$48.32		\$52.52		\$57.48		\$63.44	
8.5%	PV of Cash Flows	307	18%	307	17%	307	16%	307	15%
	PV of Terminal Year	1,394	82%	1,501	83%	1,626	84%	1,774	85%
	Enterprise Value	1,701	100%	1,808	100%	1,933	100%	2,081	100%
	Less Net Debt (12/31/23)	375		375		375		375	
	Equity Value	\$1,326		\$1,433		\$1,558		\$1,706	
	Shares O/S (MM) - (12/31/23)	30.40		30.40		30.40		30.40	
	Equity Value per Share	\$43.62		\$47.15		\$51.26		\$56.12	



# Hudson Chocolate Inc.

## Alternate DCF Valuation Schedule

(\$ Millions)

WACC	7.5%
Terminal EBITDA Multiple	10.0 x
	\$MM
PV of 5 yr Cash Flows	\$316
PV of Terminal Year	<u>\$1,690</u>
<b>Enterprise Value</b>	<b>\$2,005</b>
Less Net Debt (12/31/23)	<u>375</u>
Equity Value	\$1,630
Shares O/S (MM) - (12/31/23)	<u>30.40</u>
<b>Equity Value per Share</b>	<b>\$53.63</b>
Stock Price - 05/22/24	\$40.25
<b>Implied TV Growth Rate</b>	<b>1.5%</b>

Enterprise Values - Sensitivity Table						
		Terminal Year EBITDA Multiple				
		9.0 x	9.5 x	10.0 x	10.5 x	11.0 x
W A C C	7.0%	\$1,880	\$1,967	\$2,053	\$2,140	\$2,227
	7.5%	\$1,836	\$1,921	\$2,005	\$2,090	\$2,174
	8.0%	\$1,794	\$1,876	\$1,958	\$2,041	\$2,123
	8.5%	\$1,752	\$1,833	\$1,913	\$1,993	\$2,074
	9.0%	\$1,712	\$1,791	\$1,869	\$1,947	\$2,025
1. Ent. Values shaded exceed \$2,000						

Equity Value per Share - Sensitivity Table						
		Terminal Year EBITDA Multiple				
		9.0 x	9.5 x	10.0 x	10.5 x	11.0 x
W A C C	7.0%	\$49.51	\$52.36	\$55.21	\$58.06	\$60.91
	7.5%	\$48.07	\$50.85	\$53.63	\$56.41	\$59.18
	8.0%	\$46.67	\$49.38	\$52.09	\$54.80	\$57.51
	8.5%	\$45.31	\$47.95	\$50.59	\$53.23	\$55.88
	9.0%	\$43.99	\$46.57	\$49.14	\$51.72	\$54.29
1. Equity Values shaded exceed Current Share Price.						