It’s January 2013 and Han Solo Enterprises is considering an acquisition of Princess Leia Inc., a large private company headquartered in Orlando, Florida. As part of the process of evaluating the acquisition, your boss at Han Solo Enterprises, Lando Calrissian, has asked you to perform a valuation of Princess Leia Inc. and to assist in determining how much Han Solo Enterprises should offer. You have collected the following abbreviated financial statements data to help you with your analysis. All dollar amounts are in millions. Princess Leia’s earnings and cash flows are expected to grow at the rate of 25% per year from 2012 to 2015, after which the growth rate is expected to stabilize at 5% per year indefinitely. The company’s cost of capital is 15% and its combined marginal tax rate is 40%. Since Princess Leia Inc. is a private company, you understand that an illiquidity discount is necessary and have estimated that a discount of 20% is appropriate. What is the maximum price per share Han Solo Enterprises should be willing to pay for Princess Leia Inc. if the company has 1.25 billion shares outstanding? Assume that the long-term debt has a fair market value of $550 million and that “other assets” and “other long-term liabilities” are non-operating.

|  |  |  |
| --- | --- | --- |
|  | **2012** | **2011** |
| **Income statement excerpts:** |  |  |
| **Net sales** | **24,509** | **19,166** |
| **Cost of sales** | **16,978** | **13,396** |
| **Gross profit** | **7,531** | **5,770** |
| **Operating expenses:** |  |  |
| **Distribution and marketing** | **2,232** | **2,140** |
| **Technology and content** | **740** | **533** |
| **General and administrative** | **328** | **279** |
| **Other operating expense (income), net** | **102** | **(24)** |
| **Total operating expenses** | **3,402** | **2,928** |
| **Income from operations** | **4,129** | **2,842** |
| **Balance sheet excerpts:** |  |  |
| **Current assets:** |  |  |
| **Cash and cash equivalents** | **3,444** | **2,769** |
| **Marketable securities** | **1,650** | **1,396** |
| **Inventories** | **2,171** | **1,399** |
| **Accounts receivable (net) and others** | **988** | **827** |
| **Deferred tax assets** | **272** | **204** |
| **Total current assets** | **8,525** | **6,595** |
| **Fixed assets, net** | **1,290** | **854** |
| **Deferred tax assets** | **18** | **145** |
| **Other assets** | **1,474** | **720** |
| **Total assets** | **11,307** | **8,314** |
| **Current liabilities:** |  |  |
| **Accounts payable** | **4,410** | **3,594** |
| **Accrued expenses and others** | **1,759** | **1,152** |
| **Total current liabilities** | **6,169** | **4,746** |
| **Long-term debt** | **520** | **409** |
| **Other long-term liabilities** | **849** | **487** |
| **Total stockholders’ equity** | **3,769** | **2,672** |
| **Total liabilities and stockholders’ equity** | **11,307** | **8,314** |

**Please provide detailed answer in the next couple of hours.** **Please provide the answer in the Word doc. only**. **Thanks! ☺**